Comptroller of the Currency
Administrator of National Banks

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Background

The Office of the Comptroller of the Currency (OCC) was established in 1863 as a bureau of the Department of the Treasury. The OCC is headed by the Comptroller who is appointed by the President, with the advice and consent of the Senate, for a 5-year term.

The OCC regulates national banks by its power to:

- Approve or deny applications for new charters, branches, capital or other changes in corporate or banking structure.
- Examine the banks.
- Take supervisory actions against banks which do not conform to laws and regulations or which otherwise engage in unsound banking practices, including removal of officers, negotiation of agreements to change existing banking practices and governing bank lending and investment practices and corporate structure.
- Issue rules and regulations concerning banking practices and governing bank lending and investment practices and corporate structure.

The OCC divides the United States into six geographical districts, with each headed by a Deputy Comptroller.

The Office is funded through assessments on the assets of national banks.

The Comptroller

Robert Logan Clarke became the 26th Comptroller of the Currency on December 10, 1985.

By statute, the Comptroller serves a concurrent term as a Director of the Federal Deposit Insurance Corporation and as a member of the Federal Financial Institutions Examination Council.

An attorney, Mr. Clarke was formerly with the law firm of Bracewell & Patterson in Houston, Texas. He joined the firm in 1968 and founded its Banking Section in 1972.

Mr. Clarke received a B.A. degree from Rice University in 1963 and an LL.B. degree from Harvard University Law School in 1966. He served as a Captain in the United States Army from 1966 to 1968.

The *Quarterly Journal* is the journal of record for the most significant actions and policies of the Office of the Comptroller of the Currency. It is published four times a year in March, June, September and December. The *Quarterly Journal* includes policy statements, decisions on banking structure, selected speeches and testimony, material released in the interpretive letters series, summaries of enforcement actions, statistical data and other information of interest to the administration of national banks. Suggestions, comments or questions may be sent to Tibby Ford, Editor, Communications Division, Comptroller of the Currency, Washington, DC 20219. Subscriptions are available for $50 a year by writing to Publications—QJ, Comptroller of the Currency, Washington, DC 20219.

Quarterly Journal

Office of the Comptroller of the Currency

Robert L. Clarke

Comptroller of the Currency

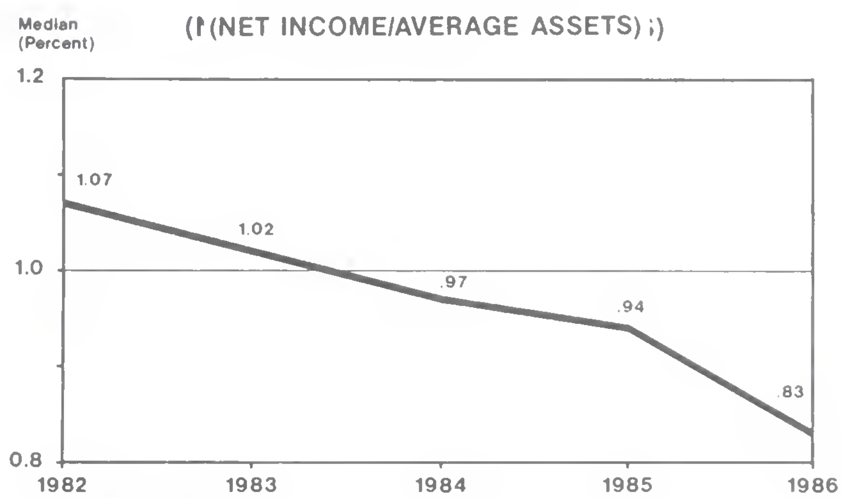
The Administrator of National Banks

Contents

Operations of National Banks

In 1986, national banks continued to have lackluster earnings and rising loan losses. Profitability, as measured by the median return on assets (ROA), declined from 0.94 to 0.83 percent, continuing a steady descent from 1.18 percent in 1980.[1] Nearly one national bank in five lost money and the number of banks experiencing serious problems increased to 339, from 266 a year earlier. Bank failures also rose; 48 national banks failed, the most in any year since 1933.

RETURN ON ASSETS DECLINED SHARPLY AT NATIONAL BANKS



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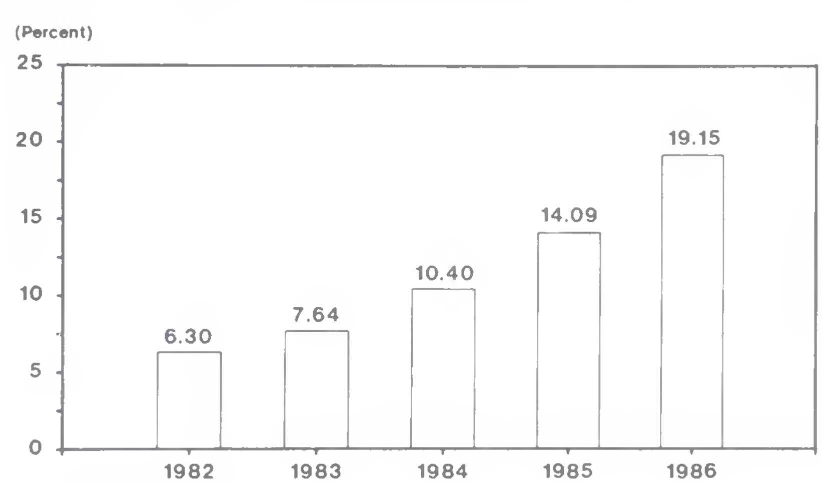
AN INCREASING NUMBER OF NATIONAL BANKS ARE OPERATING WITH LOSSES



Source: Call Reports

Since 1982, net loan losses have doubled and noncurrent loans have increased by more than 20 percent. The deteriorating quality of their loan portfolios has forced banks to increase loan loss provisions and has, therefore, reduced earnings. Small banks, banks with assets less than $1 billion, have been particularly vulnerable. Five years ago, small banks had fewer loan losses relative to average total loans than did the larger banks. In 1985 and 1986, however, this relationship was reversed due to a surge in chargeoffs at small banks.

Bank profitability has also been depressed by a narrowing of net interest margins. In 1986, the median net interest margin at national banks dropped 22 basis points. Interest margins contracted largely as a result of an increase in loans placed on nonaccrual status and relatively weak loan demand at banks in depressed areas. The fall in interest margins affected both large and small banks.

Although the median net interest margin at banks with more than $10 billion in assets was substantially higher in 1986 than in 1982, the increase did not reflect an improvement in net interest margins at individual banks. Rather, it resulted from an increase in the population of large banks. Specifically, eight national banks reported total assets of more than $10 billion for the first time in 1986 and their median net interest margin exceeded that of the remaining 18 large banks by more than 100 basis points. This pulled up the median net interest margin at the 26 large national banks. Considering only the 18 banks that had more than $10 billion in assets in both 1985 and 1986, net interest margins fell.

Summary statistics of the performance of national banks are presented at the end of this article. They illustrate the fall in profitability, the erosion of credit quality, and the shrinking of net interest margins that have been described above. They also indicate that many banks, particularly large banks, have begun to rely increasingly on noninterest income, such as securities gains, to boost earnings.

Regional Differences in Bank Performance

The summary statistics obscure divergent fortunes within the banking system. Although an increasing number of banks experienced serious problems from rising loan losses and shrinking net interest margins in 1986, many others prospered. A closer look at the performance of national banks suggests that the problems are, in part, regional in nature and that a disproportionate share of the weakest banks are located in the western half of the country. Of the 48 bank failures in 1986, for example, 46 were located in states west of the Mississippi River.[2] This

[1] Data are medians for established banks. New banks, banks that have been in operation less than three years and have assets less than $25 million, are excluded from the ratio calculations.

[2] In this paper, western banks refer to banks located west of the Mississippi River, eastern banks refer to banks located east of the Mississippi River.

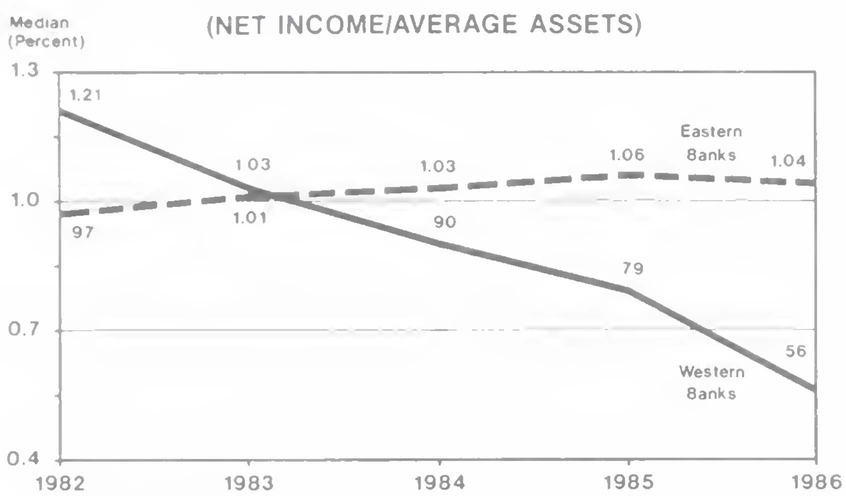
is a reversal from 10 years ago when western banks were prospering and banks in the northeast and southeast were suffering.

Profitability

In 1982, the median ROA of national banks was more than 20 basis points higher at western banks than at eastern banks. By 1986, this relationship had reversed; a 65 basis point fall in the median ROA of western banks resulted in an ROA of about half the level at eastern banks. Nearly 30 percent of western banks, moreover, lost money in 1986, more than five times the rate in the east.

PROFITABILITY OF BANKS IN WESTERN STATES IS DETERIORATING RAPIDLY

(NET INCOME/AVERAGE ASSETS)



Source: Call Reports

Bank performance, especially in the case of small banks, often mirrors the performance of the economies in which the banks are located. The economies of most eastern states, especially the New England states, have been very robust. Eastern banks, with varying degrees of success, have shared in that prosperity.

Many states in the western half of the country, however, have been subject to economic weaknesses. Banks in the west have been severely hampered by growing loan losses and weak loan demand, particularly those with substantial agricultural or oil and gas lending. Further, many banks that are not "agricultural banks" or "energy banks" are experiencing problems because their local economies are depressed due to weaknesses in agriculture or the oil and gas industry. The fortunes of these small banks are often tied to the local economies.

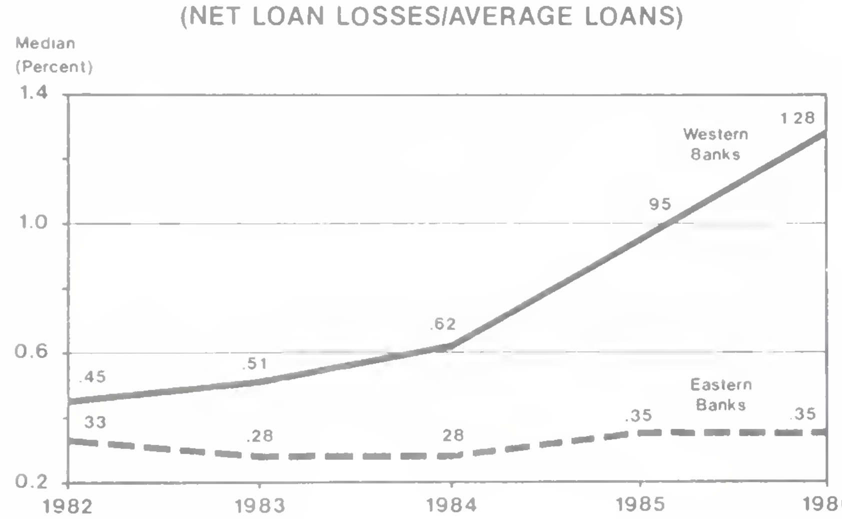
Credit Quality

The sharp deterioration in profitability and the growing failure rate at western banks can be attributed to poor and deteriorating credit quality. The economic downturn in the agriculture and energy sectors has impaired the ability of farmers and oil and gas producers to service their debts. At western banks, noncurrent loans as a percentage of total loans have doubled since 1982 and they increased by nearly 20 percent in 1986 alone.

Loan chargeoffs have also surged. Since 1982, loan losses at western banks have nearly tripled in relation to average total loans, whereas they have been virtually level at eastern banks. Although loan losses do not directly reduce a bank's earnings, they typically necessitate additional provisions for future loan losses. In 1986, loan loss provisions were three times higher at western banks than at eastern banks.

LOAN LOSSES ARE UP SHARPLY AT BANKS IN WESTERN STATES

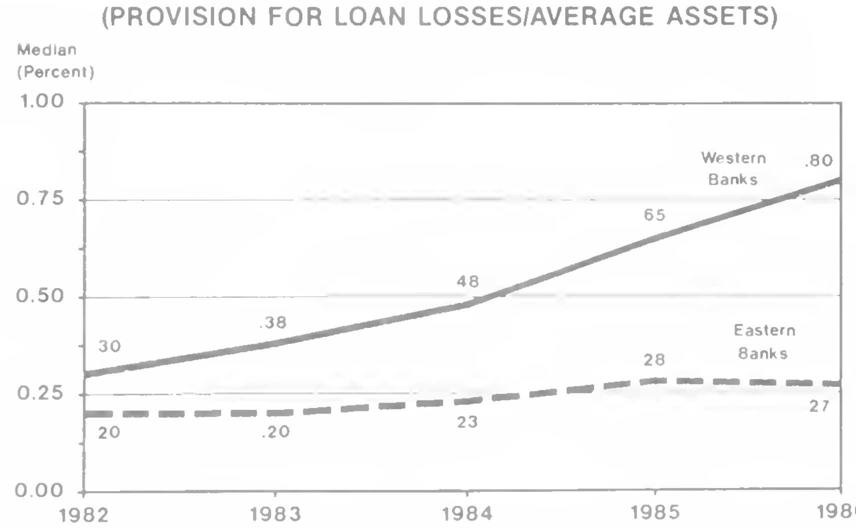
(NET LOAN LOSSES/AVERAGE LOANS)



Source: Call Reports

RISING LOAN LOSSES AT WESTERN BANKS REQUIRE INCREASING PROVISIONS

(PROVISION FOR LOAN LOSSES/AVERAGE ASSETS)



Source: Call Reports

Even as western banks have bolstered their reserves in the face of rising loan losses, however, the increase in reserves has failed to keep pace with the rising volume of noncurrent loans. These banks may have to commit future earnings to building reserves.

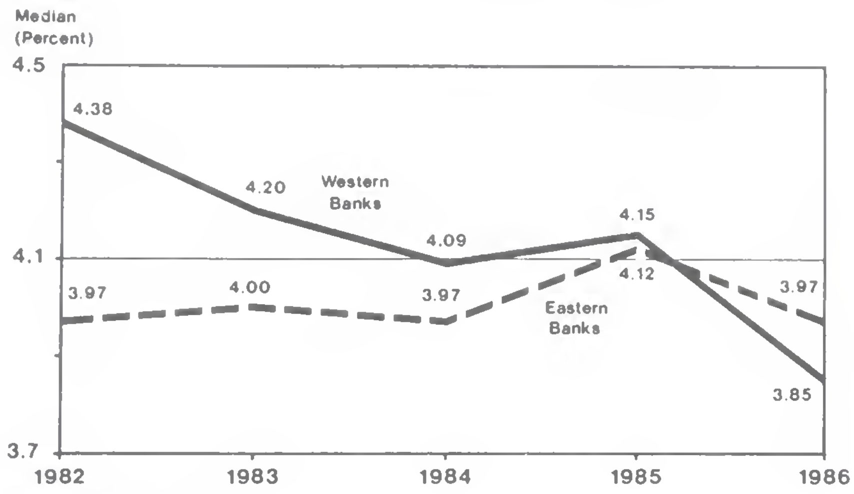
Interest Margins

In 1982, the net interest margin at national banks was approximately 40 basis points higher in the west than in the

east. By 1986 the median net interest margin was 12 basis points lower in the west than in the east.

NET INTEREST MARGINS HAVE NARROWED AT WESTERN BANKS

(NET INTEREST INCOME/AVERAGE ASSETS)



Source: Call Reports

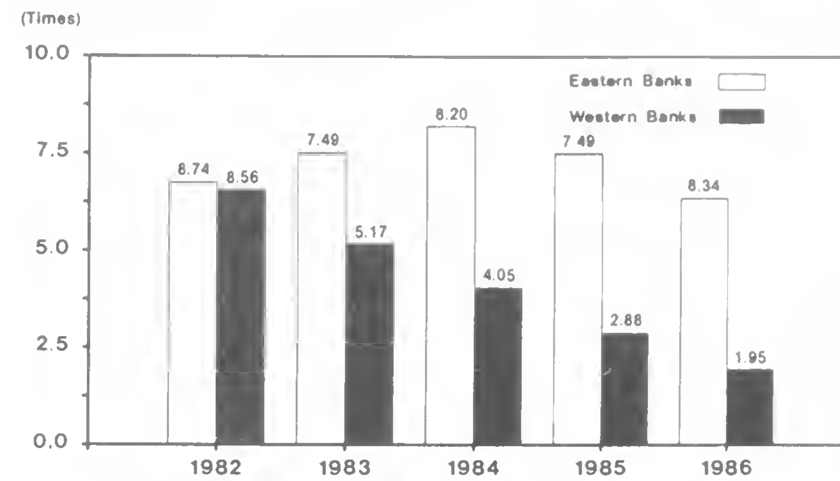
The reversal resulted from a 50 basis point drop in the median net interest margin at western banks during those 5 years. Negative loan growth, as a result of depressed local economies, constrained the generation of interest income. In addition, more loans deteriorated from performing to nonaccrual status, further reducing interest income. Problems will continue until the volume of noncurrent loans at these banks is reduced.

Prospects

For banks in the western states, the credit quality outlook remains bleak. As loan losses have proliferated, earnings have been unable to keep pace. In 1986, the earnings coverage ratio of western banks was only one-third its level in 1982. In 1986 alone, the ratio fell by nearly 100 basis points. Until the local economies strengthen or the banks are able to diversify their sources of earnings, credit quality will remain a serious problem, especially for the smallest banks.

EARNINGS COVERAGE DROPPED AS LOAN LOSSES ESCALATED AT WESTERN BANKS

(INCOME BEFORE TAXES AND PROVISION/NET LOAN LOSSES)



Source: Call Reports

At present, banks in the eastern part of the country are prospering. Earnings have been relatively strong. Loan growth has more than doubled in 5 years and asset growth has virtually doubled the rate at western banks. Further, the earnings coverage ratio at eastern banks is more than three times its level at western banks. A degree of caution may be warranted, however. The earnings coverage ratio at eastern banks declined by more than 100 basis points in 1986. Further, a rising share of their income came from non-traditional sources; securities gains increased while net operating income as a percentage of average assets decreased.

The susceptibility of banks to regional economic weaknesses argues for permitting them to offer a greater variety of products and operate with fewer geographic restrictions in order to diversify their sources of income. With fewer of these restraints, banks would be better able to insulate themselves from local economic distress, which would reduce risk and enhance the safety and soundness of the banking system.

Rose W. Ho
Financial Analyst
Industry & Financial Analysis Division

Legal Update

Litigation

In a major victory in the bank powers area, Federal District Court Judge Joyce Hens Green granted the OCC's Motion for Summary Judgment in *American Insurance Association v. Clarke*, (D.D.C. No. 85-1489, March 10, 1987). The court approved OCC's decision allowing Citibank to establish an operating subsidiary, Ambac, that offered municipal bond insurance. The court held (1) that the provision of municipal bond insurance is not an impermissible activity for a national bank; (2) that the provision of municipal bond insurance is the functional equivalent of a permissible standby letter of credit; (3) that municipal bond insurance is not an impermissible guarantee; and (4) that by the terms of the Federal Reserve Board's regulations, OCC need not defer to the Fed for activities of a national bank subsidiary of a bank holding company that are permissible under the National Bank Act.

In *Department of Banking and Consumer Finance of the State of Mississippi v. Clarke*, (No. 85-4722, February 9, 1987) the Fifth Circuit Court of Appeals became the first federal court to uphold the Comptroller's reading of the term "State bank" in federal branching law. This case concerned a decision, dated July 9, 1985, in which the Comptroller approved an application by co-defendant Deposit Guaranty National Bank (the Bank), which is headquartered in Jackson, Mississippi, to establish a branch in Gulfport, Mississippi, a distance of approximately 160 miles from the Bank's headquarters. The establishment of branches by Mississippi-chartered commercial banks is restricted by state law to locations within a 100-mile radius of their headquarters. Federal law authorizes national banks to branch to the same degree "State banks" are allowed to do so. The Comptroller's decision was in complete accord with the federal branching statute because "State bank"' is defined in the federal statute expansively and functionally to include any institution "carrying on the banking business under the authority of State laws." 12 U.S.C. § 36(h). The Comptroller's decision concluded, after a review of materials submitted by the Bank, that Mississippi-chartered savings associations, which are free to branch statewide, are engaged in "banking business" and therefore are "State bank[s]" for purposes of federal branching law. Accordingly, the Comptroller decision determined that the Bank is entitled to branch with the same degree of freedom — *i.e.*, statewide — as these competing "State bank[s]," notwithstanding the fact that Mississippi chooses to call these financial institutions "savings associations."

The court's upholding of the Comptroller's decision (which the district court had reversed) was found to be "amply supported by the record" and "patently correct." In this regard, the court provided a ringing affirmation of the Comptroller's Decision and the method he used to reach it.

The court's result and reasoning were in sharp contrast to a previous decision of the Ninth Circuit Court of Appeals, which, in effect, held that the Comptroller may not determine an institution to be a "State bank" within the meaning of federal branching law unless the state itself denominates an institution a "State bank." *Mutschler v Peoples Nat'l. Bank*, 607 F.2d 274 (9th Cir. 1979). Plaintiffs have petitioned the Fifth Circuit to stay its mandate because of their pending petition to the Supreme Court for *certiorari*.

Eugene M. Katz
Director
Litigation Division

Securities and Corporate Practices

In *Comptroller of the Currency v. Torrance National Bank, Torrance, California*, Civil Action No. 87-0884 (D.D.C. March 31, 1987), the Comptroller instituted a civil injunctive action against the Bank and its board of directors alleging that the Bank had consistently violated the periodic reporting requirements of the Securities Exchange Act of 1934 (Exchange Act) and that the individual defendants had violated the Exchange Act requirement that directors file statements of ownership of Bank stock. In addition, the complaint alleged that Directors Neil E. Campbell, George W. Post and Larry J. Celmer violated the Exchange Act requirement of filing acquisition statements upon their acquisition of more than 5 percent of the Bank's stock. All defendants were enjoined from further violations of these securities disclosure laws and regulations and were required to file Exchange Act reports in accordance with applicable law and regulations

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Laura H. Plaze
Securities and Corporate Practices Division

Corporate

The Office denied the application of First South Bank, National Association, Fort Valley, Georgia for a branch outside its home county. Inter-county branching is not permitted under Georgia law to state-chartered commercial banks, but would be permissible for state-chartered thrift institutions. The Office had previously approved applications of this nature when the applicant had demonstrated that state-chartered thrifts were "carrying on the banking business," bringing them under the definition of state banks for the purposes of 12 U.S.C. 36 (*see Quarterly Journal*, Volume 4, Number 3, Decision of the Comptroller of the Currency on the Application of Deposit Guaranty National Bank, Jackson, Mississippi, to establish a branch office in Gulfport, Mississippi). In this instance, the applicant failed to demonstrate that state-chartered thrifts in Georgia were carrying on the banking business.

J. Michael Shepherd
Senior Deputy Comptroller for Corporate and Economic Programs

Speeches and Congressional Testimony

Remarks by Robert L. Clarke, Comptroller of the Currency, before the Federal Reserve Bank of Atlanta, Atlanta, Georgia, January 8, 1987

"Paradox Regained"

It is a pleasure to be here with you tonight in Atlanta, a city that is living proof of the benefits that strong and healthy banks can bring.

As two prominent journalists wrote in *The Book of America* a few years ago, the 1960s were a decade of incredible growth for this city. A quarter million new jobs were created in those 10 years — for a new total of more than 600,000. More than 240 new office buildings were built here — along with more than 350 warehouses. In that decade, Atlanta emerged as the shimmering, high-rise center of the New South.

Atlanta banks had a lot to do with that growth: they financed it. By the end of the 60s, not only was Atlanta the leading money market of the South, it was competitive with any other banking center in the country. Rather than participating in financing packages formulated in New York, Atlanta banks during those years created their own syndications, such as the one that loaned Delta Airlines $200 million in 1970. And, reversing the traditional roles, Atlanta banks invited banks from New York and other money centers to join them in the action.

It may be hyperbole to say that the Atlanta of today was built on the vision of this city's bankers — but that statement doesn't fall too short of the mark. Financing economic growth — what not too long ago used to be called prosperity — is what banking is all about.

Atlanta is also living proof of what can be achieved when people are given the opportunity to do what they want to do and to change with changing conditions. Far from being developed under a master plan — like James Oglethorpe's for Savannah — this audience knows that Atlanta began in 1837 as a railroad surveyor's stake in a pine clearing. By 1842, the site was chosen to be the end of the line construction point for the Western and Atlantic Railroad. The railroad carried the city into prominence as the major distribution point for the South's agrarian economy. For almost a century the railroad provided Atlanta with a stable economic foundation. This foundation was later supplemented by the Coca Cola trade.

Yet, from 1865 on, the civic leaders of Atlanta sought something more than mere economic stability — they wanted economic growth — they wanted a "City without Limits." In the early years, Henry Woodfin Grady, editor of the *Atlanta Constitution*, recognized that the key to greater growth for the region in general was diversification, moving away from one industry — agriculture — to many industries, a process that his newspaper was to preach as gospel. Diversification was a long time coming.

But it came. It came just in the nick of time — just as the railroads went into sharp decline. And it worked.

Luck played a part, but as Branch Rickey once pointed out, "Luck is the residue of design."

Atlanta — born with the railroad — might have died with the railroad after World War II had not William B. Hartsfield, a young alderman, sensed that the transportation industry was about to change dramatically. Hartsfield had flown during the early days of aviation. And in the 1930s, he set out to make Atlanta the chief airport of the region. He succeeded.

In doing so he ensured that, as the region diversified after the Second World War, Atlanta would be able to seize the opportunity to be the service center, financier, and administrative capital of the economy of the New South — just as the city had been the distribution center of the agrarian economy of the Old South.

I realize that I'm telling this audience many things you already know about your city and your region, but, the point of this brief history through the growth of Atlanta is this: Atlanta's success was due to more than its strategic location, its climate, or its natural resources. Its success was also due to the fact that it adapted. As conditions changed, the city changed with them.

It could change to take advantage of opportunity. And, as you found out here in the early 1970s, it could change when problems arose, change to find solutions to the problems.

Another element in its success was the fact that business and government leaders worked here together to ensure that the city could change to take advantage of opportunity. And that lesson hasn't been lost on me as a banking regulator.

As a banking regulator, my job and that of my organization is to ensure the safety and soundness of the national banking system. That is the overriding goal of banking regulation.

But the goal doesn't necessarily illustrate what the nature of banking regulation should be — the destination doesn't necessarily dictate the best route to get there. How should we get to that goal, that destination? What would be the best route?

As with any problem, there is more than one side to this one. But too often, I believe, we are misled when we catch only one side of the subject. Let's look at the question of what banking regulation should be from several different perspectives that have been suggested.

As an undergraduate student in college, I was an economics major. And one of the principles I learned from that study of economics is that, generally, the marketplace will best serve the public if left unrestricted. From an economics viewpoint, the rationale for banking regulation must be that it somehow rectifies the failures of the market. In other words, regulation is justified only when we can identify benefits that can be attained through regulation that an unregulated marketplace cannot produce or that it could produce only at a higher cost. Such benefits — the reasoning goes — include an efficient payments system and a stable money supply.

Furthermore, regulation of the financial services marketplace has traditionally been based on two additional justifications.

The first is facilitating the free functioning of the marketplace and competition through, among other things, providing for the dissemination of information, such as the price of credit as required by Regulation Z, and assuring market integrity by attempting to prevent fraud and abuse through regulations relating to insider transactions and self-dealing.

The second, additional justification is promoting social goals, such as providing a convenient, risk-free savings vehicle — the FDIC-insured deposit — and preventing concentration of economic power, which is done through antitrust laws.

That is the mainstream economics interpretation of what banking regulation should be, but there are three others, which should be termed schools of thought or philosphies.

The first is that of the legalists. They argue that the need for consistency and justice requires the existence of regulation and, therefore, consistency and justice should have primacy in the regulation that results. Thus, they argue, how you regulate is just as important as the substance of regulation; regulation should affect the regulated equally.

The second school of thought is that of the free market. Its advocates argue that what is important is market discipline and that everyone should be allowed to do everything they want to do so that the greatest economic efficiency is attained.

The third is the "banks are special" school of thought so eloquently represented by the Federal Reserve System. Its advocates argue that many of the remedies to the market failures I touched on before — such as an efficient payments system and monetary control — are so important in and of themselves that banks should be tightly regulated to ensure that nothing threatens their operation. In this school of thought, banks are special because they are the means to those end objects — an efficient payments system and monetary control.

The mainstream economics interpretation and each of the three schools of thought — I believe — have attractions. And each — I believe — has its problems.

The mainstream economics interpretation — that regulation should be aimed at rectifying market flaws — is certainly correct and reasonable in theory. In practice, however, it begs the question: who determines what are the failures of the marketplace? The Economics Department at Harvard? An interest group pressing its case in Washington? A legislator acting in haste to respond to crisis?

The attraction of the mainstream economics justification for what banking regulation should be is that it permits the benefits of the market to be realized, while allowing regulators to address issues of concern. The problem with this justification is that — in our governmental system — much has been done in the name of correcting market flaws when self-interest or confusion have really been the motivating factors.

This problem, as we shall see, has a solution.

As for the schools of thought, the legalist school stresses fairness as an end — but the same kind of reasoning would call for removing the lifeboats from ocean liners so that everyone would drown if the ship goes down.

Drastic? Yes, certainly, but fair.

The free market model would result in the greatest economic efficiency in the long run, no doubt about it, _if_ there were no structural failures in the market itself. But in the banking market there are such failures. Imperfect information is one example — the fact that no participant can find out all the prices of similar products being offered everywhere in the market.

And the banks are special school, while stressing the obvious importance of market remedies, fails to take into

account the fact that it's easy to ruin a tool if you don't maintain it in good operating condition.

The problem with any philosophy — any school of thought — is that it can harden too easily into dogma. When that happens, we cease to look for the right answer and begin looking for the answer that best fits within our philosophy. We lose perspective. Indeed, I think we are already at the point where we need to reassess our situation and see where we can improve our performance.

The first thing we should do, I believe, is put aside the intellectual baggage of schools of thought and approach the question of what banking regulation should be from still another direction.

I propose using a convention of literature — the convention of paradox. Paradox is usually a statement or situation that seems, but need not be, self-contradictory.

For example, consider the often quoted paradoxical statement that our government's greatest strength — the separation of powers — is also its greatest weakness.

In her book *Practicing History*, Barbara Tuchman wrote that the central paradox of our time is that we are threatened "simultaneously with too many people in the world and too much power to destroy them."

How do writers use the concept of paradox as a tool?

In one of his "Holy Sonnets," John Donne wishes his proud spirit broken so that he may achieve salvation. He appeals to God paradoxically: "That I my rise and stand, o'erthrow me."

Donne also used paradox for less spiritual purposes — and one of my favorite uses comes from his two-line poem titled "Antiquary":

> "If in his study he hath so much care
> To hand all old, strange things, let his wife beware."

In its literary use, we see that paradox is a way of coping with seemingly unresolvable complexities of experience. The strength of paradox is that it forces us to think from more than one point of view — to flip a coin to see what is on the other side.

How can we use it in determining what banking regulation should be? Well, as I said before, the goal of banking regulation is to ensure the safety and soundness of the banking system. For the last 50 years or so, we have tried to reach that goal by specifically and in great detail prescribing what banks can do, how they can do it, where they can do it, and, until recently, the prices of some of the things they do.

Some of this regulation gave banks competitive advantages under the conditions in which the regulation was imposed — but the conditions changed.

And we have also found that — paradoxically — this attempt to reduce risks to the banking system through regulation has increased the risks in the system. Why? Our banking system is today in many ways noncompetitive with many of the other players in the financial services business. If the purpose of bank regulation is to ensure the safety and soundness — the strength — of the banking system, I suggest to you that we have, through regulation, made the banking system less safe and less sound — in other words, weaker.

The traditional approach to banking regulation in this country is the "least common denominator" approach: to keep banks out of other businesses because bankers might mess up. Undoubtedly, some bank managers will not manage well but instances of poor management are not unique to banking.

Following this traditional approach, we've managed banking into decline. How can we reverse this trend?

Well, mainstream economics tells us to let the market work. Let the banks provide the services the public wants. And mainstream economics tells us to regulate banks only to the extent that we offset market imperfections, facilitate the functioning of the marketplace, and meet the social goals of providing a convenient, risk-free savings vehicle and preventing concentration of economic power.

Paradoxically, then, the way to reverse the decline in banking is to strengthen the banking system by regulating it less: to allow banks to do more wherever they want to do it at prices competitive in the marketplace. In other words, to allow banks to change with changing conditions — just as Atlanta did.

Certainly, strengthening banking through less regulation is a paradox, especially in the original meaning of the word: "contrary to accepted opinion." But the idea becomes an even greater paradox — in the modern sense — when the realization comes that the bank regulator must continue to play an essential and necessary role in the whole process for the idea to work.

Why?

There are two reasons. Some regulation continues to be appropriate <u>and</u> the less banking is regulated, the greater is the need for federal agencies to supervise the banking system.

First of all, consider the all-important question of who would define the market imperfections and the social

goals that call for regulation. Someone would have to make those decisions. Wouldn't it be logical — practical — reasonable to have regulatory agencies themselves, technical experts in banking that are insulated from political pressures, make them?

In doing so, we could move from a regulatory approach where every institution was limited to doing a few similar things and received the same treatment to an approach based on what would work in any particular circumstance. In doing so, we could take a more flexible approach in dealing with institutions as they seek to become more competitive in a deregulated environment, keeping in mind that they collect FDIC-insured deposits.

How would this approach work? We would isolate the insured deposit function of the institution from the risks of certain new business activities.

A regulatory decision made by the OCC at the end of the year illustrates how this structural isolation could work. Indeed, I think the decision could be seen as a prototype, a trial model, of decisions that would regulate banking expansion into other activities in the future.

Several months ago, Continental Illinois National Bank sought regulatory approach to purchase First Options of Chicago, Inc., a leading registered securities broker-dealer and futures commission merchant. Under the proposal, First Options would become a wholly owned subsidiary of the bank.

Because First Options engages in activities that Continental Illinois itself could engage in under the law if it chose to do so, the OCC approved the acquisition of First Options as an operating subsidiary of the bank. However, as a matter of risk management, we believed that the bank should be insulated from the First Options subsidiary, principally to protect the insured deposits of Continental Illinois from any operating risks arising from its ownership of the subsidiary. We considered such protection as part of the social goal of providing a safe vehicle for savings to the public.

Therefore, we limited the bank's investment in and loans to First Options to an amount equal to the bank's legal lending limit, the latter being essentially the same limitation that would apply to the bank's dealings with an unaffiliated business. Continental Illinois agreed that it would not make any additional investments of equity capital in First Options without prior written consent from the OCC. In other words, should the occasion arise, the bank could not use its capital to bail out the subsidiary without the OCC's approval.

I think that you would agree with me that this is a logical, practical and reasonable way to protect the insured deposits of the bank while allowing it to expand its business. I hope that you would also agree with me that this is a logical, practical and reasonable approach to protect the insured deposits of any bank while allowing it to diversify.

As I said before, the role of the bank regulator in a deregulated environment increases because of the greater need for supervising the banking system.

In a heavily regulated and protected environment, all a bank generally had to do to suceed was follow the regulations set down for it to follow. And bank regulators simply checked to see that they did that.

But in a less regulated and unprotected environment, the key to success is managerial performance.

Even today, the bank regulator cannot stand behind every loan officer when he or she makes a loan and second guess the decision. Even today, the bank regulator cannot stand behind a bank trader when he or she trades in ever more exotic investment products and second guess the decision.

As the environment becomes less regulated, our traditional methods of supervision based on reviewing individual transactions become more and more irrelevant.

What, then, can the regulator do? The obvious answer is to develop a system of supervision that is based on operating controls. Paradoxically, the less regulation, the greater is the need for the supervisor to ensure that processes are in place to assure that prudent operating practices are consistently observed.

Evaluating a bank's process for asset acquisition, its financial control system, its internal audit system, and so on, boils down to an emphasis on the quality and integrity of management, which will ultimately show up in the bank's performance.

In one very important way, we have already prepared for this shift from an emphasis on regulation to an emphasis on supervision to achieve the goal of a safe and sound banking system. Over the last few years, the OCC has studied the ways our supervision might be altered to make it more effective and more efficient. In doing so, we asked ourselves if an examination methodology that originated when money moved by stagecoach was still appropriate when money moves at the speed of light. We decided that there had to be a better way — and over the last 5 years or so, that better way has been evolving.

When our traditional examination approach began more than a century ago, examinations were performed simply to protect against fraud, insider abuse and other ob-

vious threats to an individual bank's financial stability Over the years, that concept expanded to include reviews of asset quality and determinations of financial condition.

By concentrating on these elements through periodic examinations at each individual bank, it was believed that the safety and stability of the banking system as a whole could best be preserved. It was a mechanical approach designed in a mechanical age to uncover problems that had already occurred. It operated like clockwork. In the course of time, however, it became apparent that, while this approach may have been sufficient, it was becoming less and less efficient in helping us reach our goal. It became clear to us that to improve efficiency we should focus on the risks to safety and soundness in the system as a whole and to concentrate on those risks before they result in problems.

In other words, rather than being driven mechanically — like clockwork — supervision should be driven by our own judgment of where systemic risks to banking lie. We wanted to put into practice a dictum developed by a former national bank examiner in Texas named Preacher Knight, who years ago wrote: "Every day is judgment day. Use some today."

The result of using our judgment under this supervisory approach is that we are allocating examination resources on the basis of risk to the banking system. We are focusing on continuous supervision, rather than periodic examination. And we are relying on the examiners' knowledge and ability to tailor this supervision to each bank, redirecting the focus from individual transactions to the systems and controls under which bankers make transaction decisions.

In other words, we have come to view the examination functions in bank supervision as an unceasing process, not iosolated happenings. This may very well mean that for any individual bank, there will be more contact with us rather than less. But that contact will likely be for a particular purpose at any one time, rather than for a wide-ranging investigation of individual transactions.

We began to use this approach about 5 years ago with the largest banks in the country, and we have started the process of expanding it to all the banks we supervise

We know that we face tough challenges in executing this approach to supervision. We recognize that we will not catch all fraud and insider abuse or eliminate all asset quality problems ahead of time. But we wouldn't do that under the more traditional approach, either. And, at bottom, finding all the cases of abuse or all asset problems isn't the purpose of supervision, although some people would like to believe that it is.

We believe we can catch those problems and others that would represent a danger to the banking system as a whole ahead of time, which is really what supervision is all about. We view this approach as a creative way to make the maximum use of our resources, take advantage of technology and respond to changes in the business of banking itself.

One final factor, I believe, enters into the equation of what banking regulation should be. I've saved it until the end tonight to give it special emphasis because it is the factor that ties all the others together. That factor is public confidence. A safe and sound banking system is one that preserves public confidence in itself. Such a system must evidence sound management. Such a system must evidence strength. Such a system must be competitive.

As a banking regulator — or may I say, supervisor — I believe that my colleagues and I must do everything we can to ensure that the public perceives banks as safe places in which to keep their money, to maintain confidence in the system as a whole. To a large degree, that means that in the present day and age our job is to promote sound management and competitive ability within the banking system.

If the means we employ to meet our goal are different from those used in the past, the justification for doing so is one that Atlantans are sure to understand: conditions have changed, and so too must we.

Remarks by Robert L. Clarke, Comptroller of the Currency, before the Lombard Association, London, England, February 11, 1987

"Measure for Measure: The Politics of U.S. Banking Modernization"

It has often been said that language reflects the outlook of the people.

As a banking supervisor, it's a pleasure for me to speak in a country where even Good Friday and Christmas are commonly termed "bank holidays." As this small exam

ble shows the British grasp the connection of banking to all fields of human endeavor. What reassurance that must be to my colleagues at the Bank of England! And what a contrast it is to the situation in the United States, where the connection between a strong financial system and a strong economy has, it seems, just begun to become a matter of general knowledge.

Over the last several years, British missionaries have enlightened the people of the United States on various matters through the incomparable medium of television. Jonathan Miller explained the mysterious workings of the human body. Alistair Cooke expounded on culture and revealed to Americans aspects of ourselves we might otherwise have overlooked. And Kenneth Clark elucidated for us the meaning of civilization.

Tonight, I would like to return these favors. I want to discuss with you my own view of how the government of the United States determines major banking policy. This process remains "a riddle wrapped in a mystery inside an enigma" for many people at home as well as abroad.

And — more importantly — in discussing this somewhat complicated subject tonight, I will describe why I believe our government is poised to modernize the financial system in my own country — a prospect that seemed faint just a few months ago.

To unlock the mystery of how banking policy is developed in the United States we need to use two keys. The first is the recognition that U.S. banking policy is a matter of politics, a process through which many players attempt to reach a consensus. The second is that — as the American satirist Ambrose Bierce pointed out at the turn of the century — politics is often "a strife of interests masquerading as a contest of principles."

Who are the political players that set U.S. banking policy? What are their interests? I shall bring the players on stage one by one.

First of all, entering from a door marked "private enterprises" there are the banks themselves. There are more than 14,000 banks in the United States. About 10,000 of these banks are small, local institutions, each holding assets of less than $100 million. One would expect all the banks to be vigorous proponents of banking modernization. This expectation, however, until recently, fell short of reality.

The banks were divided into two camps. One looked to the future — the other to the past.

One camp — including large diversified institutions with national and international operations — has long chafed under the constraints the U.S. government imposed on banking more than 50 years ago: strict separation from other lines of business, even of a financial nature, and so on. These institutions see such constraints as competitive disadvantages, especially in the international marketplace.

The other camp — distinguished by many small, local institutions — saw these constraints as competitive advantages. The constraints restricted competition, and thus granted them local monopolies. This camp, however, has recently redefined how it views its interest. It has come to accept the need for a modernized financial system in part because those local monopolies have been eroded by the second major group of players, which I will now bring on stage: other financial institutions.

Over the last decade, securities firms, insurance companies, retailers and other players have developed the means to breach the local banking monopolies for credit and other banking services and to circumvent the competitive constraints the government imposed on the financial system more than 50 years ago. Generally, these players have yet to join in a consensus for modernizing the banking system, but that, too, may change, as I will explain in a moment.

Next — through a door marked "government policymakers" — a third group enters onto the stage. It is made up of what can loosely be called "The Administration" — that is, the President and the Executive Branch.

Since the end of the Second World War, this group has been preoccupied with two functions: setting a national agenda and crisis management. Fortunately, no crisis in banking and finance has demanded an Administration response for five decades. However, fostering a competitive banking and financial system, especially on the international scene, has been an item in the national agenda for the last several Administrations. For the current one, in particular, it has been a major effort — with the U.S. Treasury proposing several plans to modernize the banking system.

After the Administration, the Congress comes on stage through the "government policymaker" door. When it comes to banking reform, determining the interest of the 535 individuals who together make up the Congress is a difficult task. However, two points can be made about the Congress as an institution. The first is that — as a Board of Review — the Congress historically has acted to enshrine change into law after the other players have reached a consensus on what that change should be. The second is that the Congress can act quickly to head off a potential crisis.

If it appears that the stage on which U.S. banking policy is made is beginning to creak from the combined weight

of the actors on it, rest assured. It was designed precisely to bear up under this pressure. And only two other actors are waiting in the wings.

The next to come on stage — again through the door marked "government policymaker" — is my agency, the Office of the Comptroller of the Currency. Our interest is to assure a safe and sound banking system.

Until 1961 or so, we went about achieving that mission by examining individual banks for problems in asset quality and mandating the correction of such problems when we found them. We still do that, of course. But we have also recognized for more than a quarter of a century that more than supervision is needed to assure a safe and sound banking system.

No amount of supervision will accomplish that end if the structural framework for banking leaves it at a competitive disadvantage — as it has in the United States.

If banks cannot be profitable, they cannot be attractive investments. If banks cannot be profitable, they cannot maintain capital. If banks cannot be profitable, they cannot meet the needs of their customers.

Therefore, for almost three decades, the OCC has been a strong advocate for structural changes that would enhance bank profitability as the means to ensure a strong banking system.

In recent years, this advocacy has focused on instituting the types of changes in the financial system that have been made here in Great Britain, in France, in Germany, and so on: erasing the artificial distinctions between different types of financial service providers, and thus allowing banks, at their option, to become integrated financial service companies; in a nutshell, modernization of the banking system.

It is time to bring the last actor onto the stage: the Federal Reserve System. As you know, the Fed's primary interest is the conduct of monetary policy. In addition, it is firmly entrenched in the operation of the payments mechanism, both domestically and internationally. And — as the U.S. lender of last resort — it plays an abiding role in assuring the stability of the financial system, both domestically and internationally.

Until fairly recently — a few months ago, in fact — the Fed appeared to be persuaded that the structure of the U.S. financial system adequately served the central bank's interests — though it did advocate that the business of banking should be expanded at the margin. Last fall, however, the Fed began to signal a change in its perspective.

The Federal Reserve Bank of New York released the results of a major study that found bank profitability in the United States to be near a 15-year low. The study concluded: "What is clear is that the profitability of the banking system, and hence its continued ability to play its present role in the credit markets and in monetary and financial policy, cannot be taken for granted."

Clearly, the central bank was concerned.

Then, on January 21, Fed Chairman Paul Volcker, Federal Deposit Insurance Corporation Chairman Bill Seidman and I appeared before the Senate Banking Committee of the U.S. Congress. In his testimony, Chairman Volcker urged the passage of legislation that would expand bank authority to perform a few additional securities activities — and to encourage the committee to consider — this year or next — granting bank organizations the authority to underwrite insurance, to underwrite corporate securities, and to broker insurance and real estate.

The Fed, as you know, is a very important player in the bank policymaking process, and its advocacy for banking modernization could be expected to influence the political outcome strongly.

But more was needed to bring the consensus building process along.

One week later the Federal Reserve revealed what I believe might be the catalyst needed for building consensus. On January 29, the president of the New York Federal Reserve Bank, Gerald Corrigan, proposed a sweeping restructuring of the financial services industry.

I have yet to analyze the specifics of the proposal sufficiently to endorse any of them officially. From just cursory reading of it, several of these specifics give me pause. Does the expansion of financial authorities have to rest solely in the bank holding company format, as the proposal advocates? Could they not be placed in the bank itself? And do we have to maintain as strict a line between banking and commerce as the plan envisions?

But placing aside these and other questions over the specific recommendations of the plan, the general direction of the proposal, I believe, offers an approach that all the players may support.

It deals with the situation as an integrated whole — not just discrete pieces of the problem. And it is good practical politics. There is something in it for everyone — and that's the important point.

For those who want the financial system modernized, it would erase the legal barriers that prevent banks, insur-

ance companies, securities firms and other wholly financial firms from entering each other's businesses. The New York Fed stresses that "The structure would thus have much in common with the post-Big Bang enviroment in London as well as the structures in several major European countries and the environment under consideration at present in Canada."

At the same time, for financial holding companies that do not own depository institutions — the firms that banks would be liberated to compete with — the Corrigan proposal would grant explicit authorization to offer noninsured transaction accounts, access to the payments system for large dollar transactions and limited access to the Fed's discount window — in other words, liquidity assistance from the central bank.

Again, I cannot endorse these specific items — but I can endorse the principle behind them: if these firms are to become part of the consensus for change, some element of change must benefit them.

For the Congress the plan offers the possibility of a consensus among the other players that would make legislative restructuring of the financial system less difficult to accomplish.

For the Fed, Mr. Corrigan says, it would provide greater continuity and flexibility in the workings of the public safety net surrounding banking and finance, thus helping to ensure the stability of the financial system — an item that would also fit in with Congressional interest, I would imagine. It is also aimed at preserving a structure through which the Fed could conduct monetary policy, thus meeting the central bank's specific interest there.

In short, the Corrigan plan gives the players on the policymaking stage something that they did not have before — a script from which to work. Will the script change in production? Undoubtedly so. But for the first time, all the players have billing in the program. When the performance is titled QUID PRO QUO — as all performances in Washington are — such billing is essential.

While the political proceedings I have described are unique to the United States — and some of you may say, "Thank God that is so" — the marketplace forces driving toward financial modernization are being felt around the world.

It has become common to state that the international financial structure is nearing the completion of a process called globalization. I would like then to conclude this evening by touching briefly on what globalization means to the international supervision of banking and finance, particularly in the context of systemic risk.

I believe globalization calls for at least two responses. The first response is the creation of harmony in supervisory policies among the public authorities of different countries. The second response is the evolution of a system of governance wherein public authorities and private participants work together to lessen systemic risk.

It would fall to the authorities to assess systemic risks by determining the risks in individual institutions, the condition of the institutions and the condition of the financial system as a whole.

Risk assessment has traditionally been a point-in-time analysis. As you well know, supervisors are increasingly making this assessment process more dynamic — assessing risk prospectively by learning more about plans for future operations and strategies at individual institutions and concentrating on their management system.

The assessment of capital adequacy is a fundamental aspect of the risk assessment process. It is therefore difficult to overstate the importance of the joint proposal issued by U.S. and British supervisors last month that would tie required bank capital ratios to risk. As a major step toward coordinating international bank supervision, the U.S.-U.K. agreement illustrates the convergence, consistency and compatibility that are needed in policies when public authorities must work together in a world where standardization is not possible.

Supervisors, however, cannot be expected to be the only ballast that assures stability in financial structure. For a system of governance to work, it must be recognized that — first and foremost — managements and directors have the responsibility and the duty as fiduciary stewards to establish prudent policies, practices and operating procedures for their institutions. Second, communities of institutions have responsibilities for establishing standards and controls for their activities — for if they do not, public authorities will. Third, public accountants have the responsibility for the public disclosure and accuracy of financial statements. Public authorities should only be expected to step in to right things when these private parties will not or cannot manage on their own.

When private parties will not or cannot manage on their own, regulation has an essential role in assuring the stability of the financial system. But as the events of the last fifty years in the United States has shown, regulation itself can become a source of instability. Let us hope that we have learned from our experience and are ready to move on.

Remarks by Robert R. Bench, Deputy Comptroller of the Currency for International Relations and Financial Evaluation, before the Euromoney Debt/Equity Conference, New York, New York, March 12, 1987

"The Regulatory Environment for Debt-Equity Swaps"

Introduction

In his 1985 OECD study, "Banking and Monetary Policy," Gavin Bingham coins the phrase "marketization of finance." He refers to the growing use of markets for financial intermediation. Banks increasingly are securitizing traditional assets by pooling those assets within a security instrument which then is directly placed or syndicated in the markets. These innovations occur in a number of national financial markets as well as globally.

There is no reason why this activity should not extend to loans of developing countries, and indeed we see the development of a "secondary market" for LDC loans as well as the transformation of those loan assets into equity holdings. We even hear about possible mutual fund arrangements through which banks might exchange their loans for shares in the fund. Over time, the fund manager would transform those loan assets of the fund into equities.

Bank supervisors are following this marketization of finance with great interest. As with any financial innovation, we are faced with our usual paradox: trying to find the balance between the macro and micro prudential benefits and/or concerns raised by the innovation. In terms of debt-equity swaps, there are a number of benefits and concerns that we perceive, but on balance, I would say I generally have a positive attitude towards these transactions.

The Market Background On Swaps

The speakers that follow today and tomorrow will thoroughly cover all aspects of debt-equity swaps. However, there are a few areas I would like to highlight.

First, applying the term "secondary market" for LDC loans can be very misleading and confuse important related isues, such as asset valuation and accounting treatment. The term "secondary market" conjures images of primary market makers, depth, breadth, volume, rate and yield structures, as well as some homogeneity among instruments, borrowers, terms, rates and legal underpinnings. However, little of this infrastructure is found in the LDC debt market. Therefore, the prices quoted reflect the high level of operating imperfections present. In my view, the "secondary market" is a bazaar and not an institutionalized arrangement which should be used as the basis for valuing a stock of assets totalling over $400 billion. These circumstances, and my views, may change, but for now, I believe we want to be very careful about using the term "secondary market" as it applies to LDC loans.

Second, we may wish to remember why a number of loan sales arise. Lenders arithmetically may get to a point where the costs of administering the loan(s) exceed the interest income. Jettisoning the loan or transforming it into some passive equity may better suit portfolio policy.

Finally, the volume of loan sales and debt conversions are fundamentally a function of policy within the developing countries toward local capital market conditions, foreign equity investments and privatization. Any discussion about the regulatory environment on debt conversions must begin with looking at the regulations and official attitudes in the LDCs.

Macro-Economic Issues Arising From Swaps

My fellow panelists, David Mulford and Jim Conrow, have covered the macro-economic issues well. I would just like to emphasize the following:

- Debt-equity swaps per se will not solve the debt crisis or an individual country's debt problems. However, they may enhance debt reschedulings and adjustment efforts. Within an appropriate policy framework, swaps can represent a practical approach for: reducing debt service burdens; being catalytic to additional foreign investment; and, repatriating capital. Swaps can provide commercial banks as well as the LDCs with a better blend of financing alternatives.

- Debt swaps will reduce the debtor's external debt and thus its debt service burden. However, foreign exchange saved from reduced debt service will be needed for dividend or profit remittances unless managed under the terms of the swap. I understand such terms are now commonly imposed, providing the debtor country with more flexibility in its uses of foreign exchange and enhancing the country's liquidity

- Debt equity swaps can be mutually beneficial to the lender and the borrowing LDC, if the right kind of investment opportunities are available. Banks do not necessarily want to swap from a fixed stream of loan income into a speculative equity. LDC swap-investment policies therefore, must clearly and realistically address the portfolio needs of potential investors, including banks.

The Prudential Risks of Debt-Equity Swaps

As a bank supervisor, I am interested in the prudential aspects of debt-equity swaps, as we are with any innovation. Should a U.S. bank take on an equity investment in lieu of debt, there is a transformation of risks accompanying the transformation of assets. In this regard, banks and bank supervisors have to watch out that perceived solutions to today's problems don't create new problems for the future. However, the swaps done so far appear reasonable and sound.

Transformation from debt-to-equity may mean foregoing a "first-tier" risk as a creditor of a sovereign, and accepting instead a "second-tier" risk as a shareholder in the private sector of an LDC. However, this risk transformation may not be material in practice because existing loans may already be categorized as Other Transfer Risk Problems or worse by bank supervisors. Overall risk may even be reduced, since the swaps should reduce debt service burdens, thereby strengthening the quality of loans not swapped.

Transformation of the asset from a loan to equity also transforms the revenue stream. Contractual interest payments due from a sovereign become transformed into discretionary dividends due from an LDC private sector company. However, as I mentioned earlier, it is common for swap arrangements to eliminate this uncertainty up front. Generally no remittance of dividends is permitted during the initial years of the equity investment.

Transformation of, say, a dollar loan into a peso equity may raise a material foreign exchange risk which may be difficult to hedge in an LDC economy. Here, there is transformation of credit risk into foreign exchange and investment risks, both of which could be adequately dealt with through existing accounting convention. FASB-52 requires quarterly translation of the FX risk. GAAP requires quarterly valuation of the investment.

Finally, there are ordinary commercial risks in owning private sector firms. Many U.S. banks have managed some of these risks well over the years in their own foreign branches and subsidiaries. However, it would seem essential that equity investments in non-traditional activities include indigenous investors and management expertise.

The Regulatory Climate For Debt-Equity Swaps

While I am not an attorney, the general U.S. regulatory environment for debt-equity conversions appears accommodating to me. 12 USC 603 permits national banks to own equity in foreign banks. Regulation K of the Federal Reserve seems to provide wide authority to own equities in foreign financial services firms. Both the Bank Holding Company Act and Regulation K have general consent authorities for equity participations. 12 USC 29 and case law reportedly permit debt-equity swaps under certain conditions. The banking agencies have taken a generally neutral attitude towards debt-equity swaps generically and are viewing transactions on their merits as they would any international activity of U.S. banks.

To date, I have heard no complaints about the U.S. banking agencies impeding swaps and it does not appear that any new legislative authorities are needed in this area. The major regulatory constraint seems to come from the debtor countries themselves, albeit many of those countries clearly are working to accommodate swap transactions.

The Accounting Rules For Debt-Equity Swaps

The accounting framework for debt-equity swaps has not been clear. The accounting profession has been split as to how to treat swap transactions. A majority of the profession in the U.S. seems to view swaps as one related transaction (sale with a purchase), while others believe two transactions occur (a sale and a purchase). A different accounting result can occur depending on the view taken, both with respect to the amount of loss, if any, to be recognized and the booking value of the equity acquired. Many, if not most, swaps do not entail a nice clean acquisition of an equity and many strings bind the loan sale and equity purchase. Therefore, there may be need to fair value the equity received based on all objective evidence available.

I do not view the existing treatment within the accounting profession as a constraint to swap transactions at this time. I am also confident the profession will soon establish more uniform guidance on the accounting treatment for debt-equity conversions.

Summary

In summary, the conversion of LDC loans into equity is a natural evolution of financial innovation and the marketization of finance. These trends provide much needed alternative blends of finance for LDCs and can be catalytic to privatization, foreign investment, and capital repatriation in developing countries. While LDCs will remain dependent on loan capital for some time to come, debt-equity swaps can relieve debt service burdens at

the margin if conducted within an appropriate policy framework. The regulatory environment is neutral, flexible, and not necessarily an impediment to prudent swap transactions. Similarly, the accounting treatment for swaps appears accommodating and likely to be more uniform soon. The major constraints to swap activities rest with policies in the developing countries. That is, the volume of swap activities is a function of the debtor countries promoting a reasonable investment and regulatory environment, as well as a supply of equity opportunities that fit the risk and business interests of potential investors, including banks. If the debtor countries establish that reasonable environment, I am sure debt-equity swaps, mutually beneficial to the countries and their bankers, will grow.

Remarks by Frank Maguire, Senior Deputy Comptroller for Legislative and Public Affairs, before the Independent Bankers Association of America, Orlando, Florida, April 1, 1987

On the flight down here to speak with you, I allowed my thoughts to wander on how I could tie what I had to say together. It occurred to me that a thread runs through much of the jargon we use in discussing where the consumer movement and the banking industry cross paths. Not too long before the consumer movement arose, the word "consumption" was used to describe a dreaded disease. Today, "consumption" is something the government continues to foster in its effort to promote a growing economy.

Not too long ago, "truth" was an absolute pursued by philosophers and other heavy thinkers. Today, "truth" — in lending, in savings — is something our lawmakers try to legislate.

Not too long ago, "disclosure" was something many politicians and others in the public spotlight feared. Today, disclosure — at last as far as you are concerned — is something that politicans and public officials support.

I could go on and on. But the point is that changes in language reflect changes in the way the public views things. And I've yet to see any dictionary list any of the uses of words that have become consumer movement jargon as out of date.

On the contrary — I believe that in the very near future you'll find these words more and more on your own lips.

More than 15 pieces of consumer legislation directed toward banking have been introduced in this Congress — so far. And in the past weeks and months — while you probably have had your attention focused on the larger issues embodied in the legislation approved by the Senate last Friday — consumer groups and some lawmakers have laid the groundwork for major consumer legislation in this Congress. In light of the Democratic control of both the Senate and the House and the approaching elections, the consumer issues they are pressing promise to get hot and soon. Let's look at several of these issues.

H.R. 28, Chairman St Germain's "Expedited Funds Availability Act" has passed Subcommittee review and it is almost certain to pass the full House Banking Committee today — if it hasn't already done so. The bill would require:

- Disclosure of depository institution check hold policies;
- mandatory availability schedules; and
- improvements to the check return process.

The Senate has also moved on the issue. As you probably know, one portion of the legislation it approved last week would require depository institutions to disclose their check-hold policies. It would require the computation of interest from the time of provisional credit. And it would also require the Fed to establish — within 12 months — an interim availability schedule based on the time institutions can be expected to learn of nonpayment. Further, it would require the Fed — within 36 months — to promulgate regulations either to improve the check return process or to establish an availability schedule based on the number of days necessary for institutions to receive provisional credit.

What you may <u>not</u> know is that the Senate legislation would require you to cash government checks for customers and noncustomers alike. For a fee, people would be allowed to register to cash a government check at your institution. Once a person is registered, you would be required to cash any government checks for whom he or she is the payee.

Predicting what lawmakers will or will not do is a dangerous hobby, but from all the indications there is a great likelihood that you will be on the receiving end of delayed funds legislation in this Congress.

The House and Senate will go to conference on the banking bill just passed by the Senate and whatever Chairman St Germain wants to package with the House's FSLIC recapitalization. Some language on delayed funds is almost certain to be passed as part of the recapitalization effort.

Legislation aimed at credit cards is just as hot. On March 18, a House Banking Subcommittee approved H.R. 515, titled the "Full Credit Card Cost Disclosure Act." It is an appropriate name.

The legislation would require disclosure in credit and charge card solicitations and applications of the terms and conditions governing an account, such as the interest rate, grace period, method of balance calculation and annual fee. The legislation would also cap the allowable interest rate on credit cards at 8 percentage points above the yield on 1-year Treasury securities, adjusted quarterly. Although this provision is expected to come under attack when the full committee considers the bill, it is in there now, and strange things do and don't happen when we're dealing with 535 Senators and Congress people.

A Senate Banking Subcommittee will soon hold a hearing on credit card issues. The Senate Subcommittee Chairman — Senator Dodd — is working with his House colleague — Representative Schumer — to come up with a uniform approach to credit card disclosure. Senator Sasser has also introduced legislation in the Senate that would cap finance charges on bank credit cards at 6 points above the Fed's discount rate. With or without a cap, credit card disclosure legislation is drawing a great deal of interest from lawmakers disposed to taking consumer protection legislation seriously. Representative Barnard has introduced a "basic" disclosure bill favored by bankers. But it is favored only by bankers.

A Truth-in-Savings Act was reintroduced on January 7th in the House. This bill contains the provisions regarding disclosure of interest rates and fees for deposit accounts that the house approved last October. To date, no companion bill has been introduced in the Senate but the Senate Banking Subcommittee on Consumer Affairs is likely to hold hearings on the truth-in-savings issue later this year.

I would also like to draw your attention to one other consumer bill. H.R. 926 would require national banks and federally chartered thrifts to provide advance notice of any proposal to close a branch both to their regulator and to customers of the branch. Under the legislation, if the regulatory agency determines that the closing would significantly reduce financial services in the area, it would have to work with community leaders and financial institutions to try to establish alternative banking facilities — such as a credit union — in the community.

Taken together, all of these legislative proposals indicate to me that consumer issues are very much alive — and kicking. Of course, the regulatory agencies in Washington don't need proposed legislation to know that's the case. We've seen these issues grow in strength in our own world.

As you know, the OCC — along with the other regulators on the Federal Financial Institutions Examination Council — has issued a joint policy statement calling on industry trade groups to encourage their members to offer affordable services to low-income customers. Nevertheless, consumer groups are continuing to press Congress to require all financial institutions to offer basic banking accounts. Just as consumer-oriented laws require you to comply with their provisions, the Congress requires federal regulators to monitor your compliance with them.

At the OCC we are very aware that Congress has charged us with that duty along with our responsiblity to ensure the safety and soundness of the national banking system. I'm sure that many of you have heard that the OCC is in the process of revamping its approach to compliance. I would like to give you some idea of what these changes include.

If you attended the regulators' panel this morning, then you heard Bob Herrmann, our Senior Deputy Comptroller for Bank Supervision Policy, give you a detailed account of OCC's compliance program. I'll simply give you an overview.

First of all, we are trying to shift our strategy from detecting noncompliance to promoting compliance as a bank management responsibility. In real world language, this means that we are moving away from the focus of looking for technical violations through examination to ensuring that a bank has a process, a system, of compliance management and that this system works. In addition, part of this shift in focus was the desire to use our resources more efficiently.

The national bankers here today will soon be receiving a letter that will describe the program in greater detail, but I would like to touch on a few of its features. Part of the new approach is based on statistical sampling. Rather than poring through the transactions of all the banks we examine, we will perform a thorough examination in a random selection of banks. This sample will be designed to be statistically valid; it will be designed to give us a picture of the industry as a whole. This sample will include all of the multinational banks over a 2-year period and a sample of other banks based on asset size. Because we are using asset size instead of the number of banks as a base, the larger your institution is the more likely it will be included in the sample. We will then analyze the information from these examinations to determine the

likelihood of compliance problems for the industry as a whole. When we find compliance problems — in the specialty examinations or otherwise — we will take action. At the same time, as part of the program, we will simplify compliance regulations where we can.

There are two important points to note about this approach. The first is that we view education as an important goal. We believe if bankers have a good idea of what the requirements are, they will comply with them. The second is that no part of the program is carved in stone. As time changes, and as conditions change, the program will change, too.

I hope that nothing I've said today shocks you. Instead, I simply hope that it has given you reason to pause and consider how you wish to respond to events that will soon be on your doorstep.

Statement of Robert R. Bench, Deputy Comptroller of the Currency for International Relations and Financial Evaluation, before the Senate Subcommittee on International Finance and Monetary Policy of the Committee on Banking, Housing and Urban Affairs, Washington, D.C., April 2, 1987

Mr. Chairman and members of the Subcommittee, I am pleased to have this opportunity to discuss regulatory practices affecting Third World Debt. In my statement this morning, I will begin with a short review of the current foreign debt situation faced by U.S. banks. Then, I will respond to the specific questions in your invitation to testify. Finally, I would like to briefly discuss some new developments involving U.S. banks and the heavily indebted countries.

The Foreign Debt Situation Of U.S. Banks

As of September 30, 1986, 184 U.S. banks reported holding $301 billion in cross-border, non-local currency claims. That amount represents 11 percent of the total assets in the U.S. banking system as of that date.

About $100 billion or one-third of the lending has been made to developing countries. $79 billion represents claims on Latin America.

Developed Countries	$178 billion	59%
OPEC & Developing Countries	110	37%
Banking Centers and Multilateral Institutions	9	3%
Eastern Europe	4	1%
	$301 billion	100%

The Latin American exposures are concentrated in a relatively small number of U.S. banks.

Nine Money Center Banks	$51 billion	64%
Fourteen Other Large Banks	14	18%
161 Other Banks	14	18%
	$79 billion	100%

Sixty-one percent of the lending is to governments or their agencies, and 40 percent is short-term.

Foreign Banks	$16 billion	20%
Private Sector	15	19%
Governments and Agencies	48	61%
	$79 billion	100%

Under One Year	$32 billion	40%
One to Five Years	25	32%
Over Five Years	79 billion	28%
	$79 billion	100%

U.S. banks have been strengthening their international positions steadily over time and we expect this trend to continue. Over the past 5 years, primary capital (shareholder's equity and loan loss reserves) has risen $23 billion in 23 of the largest U.S. banks engaged in international banking and over $35 billion in the consolidated holding companies of those banks.

As a result, exposures as a percent of capital to all developing countries decreased since 1983 from 209 percent to 147 percent for nine money center banks and from 153 percent to 87 percent for the 14 other large banks. Since 1983, the nine money center U.S. banks have decreased their Latin American exposure, as a percent of capital, from 163 percent to 114 percent while the 14 other large banks have decreased their vulnerability in Latin America from 117 percent to 65 percent of capital.

The Accounting and Regulatory Practices for International Debt

Before responding to your specific questions about the current accounting and regulatory policies in place to

supervise the international activities of U.S. banks, I first would like to discuss some general matters.

The U.S. banking agencies have authorities to establish their own Regulatory Accounting Principles (RAP) and no further legislation appears necessary in this area. As a matter of policy, the agencies prefer that RAP be as consistent as possible with the Generally Accepted Accounting Principles (GAAP) established by our U.S. accounting profession. During the international debt crisis, GAAP has evolved due to the uniqueness of LDC debt situations. In my opinion, this evolution has gone well.

GAAP does not require mark-to-market accounting for assets (domestic or foreign) which are held to maturity in a loan or investment portfolio. Generally, only assets held in trading portfolios are valued at market.

The valuation of loans, either by the accountants or the banking agencies, generally is made through the audit or examination process. Valuation is a function of perceived creditworthiness. Generally, foreign loans are examined the same way as domestic loans. In cases where the collectibility of a loan appears questionable or latent risk in the portfolio increases, regulators will advise the bank to increase its loan loss provisions. As we testified during 1983 before this Committee, unlike domestic loans, foreign loans contain an additional factor called transfer risk. It is the risk that foreign exchange might not be available for orderly remittance of loan payments. The banking agencies examine transfer risk through their Interagency Country Exposure Review Committee (ICERC). Because this risk varies depending on a complex variety of macro and micro-economic matters, the banking agencies have found that the best way to address it is by encouraging banks with foreign loans to substantially improve their capital and loan loss reserves, as well as disclose a great deal to the public marketplace.

On the subject of disclosure, I do not believe any commercial activity has been more publicized or disclosed than has U.S. banks' negotiations and holdings of LDC loans. The market place receives a constant flow of information about U.S. banks' activities vis-a-vis their international lending, and the collective view of that marketplace influences U.S. international banking daily.

Now, I would like to answer your specific questions.

1. Does present regulatory or accounting practice require that the asset value of a loan be written down if the lender negotiates a significant reduction in the interest rate?

Neither regulatory nor generally accepted accounting principles require an automatic write-down of a loan as a result of a significant reduction in the loan's interest rate. This determination is based upon the accounting principle contained in Financial Accounting Standard No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings" (FAS 15).

Although this Standard does not typically require a loan write-down, disclosure of the restructuring and its impact on earnings is required. This disclosure includes: (1) the amount of the loan restructured; (2) the interest income that would have been recorded under the original terms; (3) the amount of interest income that was included in net income for the period; and, (4) the amount of commitments, if any, to lend additional funds to the borrower. (Many market analysts include these restructured loans in the broad category generally referred to as "nonperforming loans".)

In applying FAS 15, three considerations should be mentioned. First, a loss on a troubled debt restructuring is not recognized, provided the expected future cash payments from the borrower will at least equal the book value of the loan. Second, a credit analysis is required to ascertain whether the borrower can actually make these expected future payments. If not, a write-down of the loan or additional provision to the loan loss reserve may be required. Finally, if the reduced interest rate is equal to or exceeds current market rates for similar risk, the restructuring isn't required to be reported as a troubled debt restructing, and the disclosure requirement mentioned previously is not necessary.

2. What are the factors used to determine whether a loan is categorized as "value impaired" under the rules established pursuant to the International Lending Supervision Act? What factors determine the classification "Other Transfer Risk"? In the event that placement in one of these two categories is indicated, are all loans to a given borrower so categorized, regardless of the terms, security or collateral of the loan? Are new loans made to such countries automatically placed in the same category, regardless of terms, security or collateral?

Whether a categorization of Other Transfer Risk or Value Impaired is required for new loans is determined by the agencies on the basis of a country's performance. In implementing the provisions of ILSA, the agencies recognize the importance to the stability of both the international banking system and world economy of providing continued future international flows of bank credit.

The federal banking agencies, pursuant to ILSA, determine international assets are "Value Impaired" when:

- A country that has protracted arrears, as indicated by more than one of the following

— The country has not fully paid its interest for 6 months;

— The country has not complied with IMF programs (and there is not immediate prospect for compliance);

— The country has not met rescheduling terms for over one year;

- The country shows no definite prospects for an orderly restoration of debt service in the near future.

The agencies use the category OTRP when:

- A country is not complying with its external debt service obligations, as evidenced by arrears, forced restructuring, or rollovers, however, the country is taking positive actions to restore debt service through economic adjustment measures, generally as part of an IMF program;

- A country is meeting its debt obligations, but noncompliance appears imminent; or,

- A country has experienced a severe debt service problem, and is now complying with the terms of IMF and rescheduling programs. However, sustained resumption of orderly debt service needs to be demonstrated.

The banking agencies may determine that one category, such as Value Impaired or OTRP, may apply to all U.S. bank loans in a country, or that separate categories apply, depending on the type or maturities U.S. banks have. For example, a country may prioritize paying trade financing and inter-bank deposits, but not other short- and long-term loans. The performing trade and bank credits, therefore, would be accorded a less severe categorization than those credits that are not performing.

Similarly, the agencies consider collateral for particular loans in a country. Credits that are secured or guaranteed by residents of other countries are considered the country risk of that other country, not the risk of the obligor's country. Insurance policies or guarantees covering specific assets, and that guarantee payment may also be reallocated to the country of the insurer. Assets of a U.S. bank's foreign office payable in local currency for which the foreign office has equivalent local current liabilities are also not subject to the Valued Impaired or OTRP categorizations.

Normally, new loans are not categorized as Value Impaired when the additional loans are made in countries implementing economic adjustment programs. Programs approved by the International Monetary Fund, which are designed to correct the countries' economic difficulties in an orderly manner are a good example. Such new lending may receive special priority for payment and so may strengthen the functioning of the adjustment process, and help to improve the quality of outstanding credit, and thus, it may be consistent with the objectives of improved supervision of international lending.

3. How do other nations regulate the exposure of their financial institutions to heavily indebted Third World borrowers? What is the best estimate of the size of the write-downs or reserves which have been required (or taken voluntarily), against developing country risk by major bank lenders overseas? How does this compare with the size of write-downs/reserves taken by American banks?

The regulation of the international debt situation by other countries, in principle, is the same as that of the U.S. banking agencies, However, the supervision varies in methodology, primarily due to different tax, accounting, and supervisory conventions in those countries.

At the policy level, all countries deal with the difficult paradox of balancing macro and micro-prudential requirements in the same way. From a macro-prudential perspective, supervisors support the collective attempts to promote continued, modest additional bank lending to LDCs. However, there is a micro-prudential requirement that banks also recognize the latent uncertainties inherent in the debt situation. The amount of protection taken for exposures to debtor countries varies from country to country and can be as much a function of tax or accounting policies as they are prudential requirements. The amounts may be mandated by law or regulation, or they may be strongly encouraged through negotiations between the authorities and the banks. Generally, the list of countries subject to provisioning are the same across the spectrum of regulatory systems and are those countries that have experienced liquidity or debt service interruptions in recent years.

The amounts of reserves and/or write-offs made by international banks also vary considerably, depending on what is included in the supervisor's coverage of international risk. Some supervisory systems simply may subject all exposure in a problem debtor country to one, uniform reserve requirement. Other supervisors, including the U.S. agencies, distinguish among groups of problem debtors as well as differentiate among risks within a country. For instance, the U.S. agencies place 25 countries in our problem categories. We mandate specific reserves of some 30-90 percent against seven countries. We encourage steadily increasing general reserves and/or capital to reduce the banks' overall exposure against the rest. As mentioned earlier, the major banks have increased capital and reserves by $35 billion since 1982 and have

written off some $6 billion in international loans over the same period.

Because of the variety and complexity of foreign regulatory systems, I am very hesitant to estimate what actions are being taken in other countries. As a general statement, the banks in Japan, Canada, U.K., and U.S. tend to have higher exposures in certain areas, such as Latin America. The supervisory systems in these countries promote dealing with those exposures through increased public disclosure and capital as well as after-tax provisions of 5-10 percent to general loan loss reserves. Banks in other countries may have lower exposures in Latin America and higher exposures elsewhere. Their regulatory systems permit an average of tax-deductible 20 percent provisions to secret, undisclosed reserves. However, the issue here is not who reserves the most, but whether adequate protection is being taken. Looking around various banking systems, I believe correct policies are in place and adequate, deliberate protection is being taken.

Three very recent and detailed studies have been done on the various systems for supervising international risks in different countries. Peat Marwick, Mitchell & Co. has produced a study entitled "Allowances for Sovereign Risk — An International Survey." Euromoney Publications has recently published "International Bank Supervision" by C.M. Friesen. We have provided copies of these studies for the Subcommittee's use. In addition, the Organization for Economic Cooperation and Development (OECD) in Paris will release this month a monograph entitled "Prudential Supervision in Banking" which includes an official discussion of the various supervisory arrangements in the OECD member countries.

4. If a financial institution sells a portion of its outstanding loans to a given country in the secondary market, under what condition does this action trigger a write-down of the remaining assets in the portfolio to the discounted market value? Is there a distinction between assets held in "investment" portfolios and assets held in "trading" portfolios?

When a financial insitution sells a portion of its outstanding loans to a given country in the secondary market at a loss, the basis and nature of the loss must be determined before there is any required review of the remaining loans to that borrower. If the loss is attributable to a major concern as to the collectibility of loans from that borrower, any remaining loans to the borrower must be reviewed for collectibility. If the financial institution concludes from the review that only portions of the remaining loans will actually be collected, then the estimated uncollectible portion must be written-off against the loan loss reserve. If, however, there is less certainty about ultimate collection, but still significant doubt about the borrower's ability to serve the loan, an additional provision to the general loan loss reserve may be more appropriate.

The method used, either a direct write-off or addition to the loan loss reserve, is judgmental and is based upon a complete analysis of the borrower's current and future repayment ability. Values obtained in a secondary market may be useful in this analysis provided the market activity is deep and broad enough to represent a reliable basis for determining value.

Turning to the second part of your question, assets held by a financial institution are reflected on their books at either their cost to the institution or at the asset's current market value. The decision on which method (cost or market) is used is based upon the institution's intent and ability to either hold or to sell the asset. If the institution both intends to, and has the ability to hold an asset until the cost of the asset is realized in cash (at maturity for loans), the asset remains on the institution's books at the original cost regardless of changes in market values. "Trading" portfolio assets, on the other hand, are expected to be sold and realized through the marketplace, so the carrying amount on an institution's books is based upon the current market price of the asset.

5. Is the current secondary market an accurate indication of the "market value" of loans to heavily indebted countries? Would it be appropriate regulatory or accounting practice to seek to value bank assets at the values prevailing in the secondary market?

We believe that applying the term "secondary market" to the current level of trade in LDC loans is misleading and has served to confuse the issues of the proper valuation and accounting treatment for those loans. Well-developed secondary markets have depth and breadth, and are usually supported by primary market-makers. In the usual sense of the term, the existence of a secondary market for any asset also implies that there is some homogeneity of obligors, terms, and legal underpinnings for the instruments traded.

However, little of this infrastructure is found in the market for LDC debt, and we believe that the prices currently being quoted for LDC debt reflect this. It is still a very thin and imperfect market. In my view, the current state of trading LDC loans is more like a bazaar, with individual buyers and sellers haggling over the terms of each transaction, than it is an institutionalized arrangement which should be used as the basis for valuing the total stock of loans to developing countries.

6. If a loan was sold at a discount from face value, and that discount were passed along to the borrower in the form of lower principal repayment obligations, would that reduction in the country's total debt burden be seen as enhancing the quality of the remain-

ing outstanding loans to that country? If so, would present regulatory or accounting practice treat discounted sales which resulted in a reduction of outstanding principal differently from discounted sales which resulted in no reduction of outstanding principal in terms of valuing other, non-traded loans to the country in question?

If a discount from face value on a loan were somehow passed to a borrower in terms of lower principal payments, the resulting reduction in a country's total debt burden would enhance the quality of the remaining outstanding loans to that country. However, it is not clear how regulatory or accounting practice could distinguish among discounted sales in terms of the value of the remaining unsold loans, other than the treatment mentioned in my response to question 4.

7. What are the present accounting standards, used to evaluate the swapping of bank debt for other assets, including equity in firms in the borrowing country? Do these rules make it more difficult or expensive for banks to engage in loan swapping?

The present accounting standards for assets received in swapping of bank debt are varied. The broad principle is contained in FAS 15 referred to earlier. This Standard states:

> "The fair value of the assets transferred is the amount that the debtor could reasonably expect to receive for them in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. Fair value of assets shall be measured by their market value if an active market for them exists. If no active market exists for the assets transferred but exists for similar assets, the selling prices in that market may be helpful in estimating the fair value of the assets transferred. If no market price is available, a forecast of expected cash flows may aid in estimating the fair value of assets transferred, provided the expected cash flows are discounted at a rate commensurate with the risk involved."

Application of this Standard to swaps involving foreign debt is difficult. This is because there is not a broad established market for the assets and because individual countries may impose significant restrictions on the assets received in the swap transaction. As a result of these difficulties, the process is highly judgmental and it would not be uncommon for there to be differing valuations for similar assets. In order to facilitate application of this Standard, both the OCC and the American Institute of CPA's have provided the following additional factors which should be considered in establishing a fair value determination:

- similar transactions for cash,
- secondary market values, if any, of similar financial instruments;
- the credit standing of the debtor and/or guarantor (including prospects for re-entry into the voluntary lending markets in the foreseeable future);
- prevailing interest rates;
- pricing options available (e.g., prime-based vs. LIBOR-based loans); and,
- tax consequences, including the effect of foreign withholding taxes on after-tax yield.

Although these factors were established for loan swaps, many aspects may also be appropriate for debt-equity swaps as well, albeit the accounting framework for debt-equity swaps remains unclear. Many, if not most, swaps do not entail a nice clean acquisition of an equity and many strings bind the loan sale and equity purchase. Therefore, there may be need to fair value the equity received based on all objective evidence available.

I do not review the existing treatment within the accounting profession as an impediment to debt-equity transactions at this time, and understand the profession will establish uniform, pragmatic guidance on the accounting treatment for debt-equity conversions soon. A significant constraint on a wider use of swap transactions at this time seems to be the policies in the debtor countries. The countries need to promote a reasonable investment and regulatory climate, as well as a supply of equity opportunities, which fit the risk tolerance and business interests of potential investors, including banks.

The second part of your question asks whether these rules make it more difficult or expensive for banks to engage in loan swaps. As stated previously, the process of ascertaining the fair value can be difficult and highly judgmental. Significant costs, in terms of both bank personnel time and outside expenses, may be involved. However, we believe prudent bank management would normally perform this type of analysis prior to deciding whether it is in the bank's best interest to enter into this type of transaction. Although perhaps more difficult in many instances, the process is very similar to any investment decision involving unique assets. For example, numerous institutions are involved in acquisitions of, or mergers with, other institutions. Fair value determinations are required in many of these transactions and involve numerous and complex valuations

New Developments Involving U.S. Banks and the Debtor Countries

In my opinion, no significant obstacles exist to the development of mutually beneficial new relationships between banks and the debtor countries. However, should they arise, I am certain they can be overcome for prudent transactions. Over the past 5 years, the accounting profession and bank supervisors have worked well within the collective debt strategy, while at the same time achieving their key objectives of more current and meaningful public disclosures by the banks, as well as significant increases in reserves and capital at the banks.

I expect we shall see some enhancements to the existing relationships between the banks and debtor countries. Those relationships over the past 5 years have relied on a set of burden-sharing arrangements keyed to continual negotiations of debt rescheduling and new money packages based on hundreds of banks' exposure positions as of August 1982. These arrangements have served the stability of the international financial system very well. They have been successful in restoring countries' liquidity and supporting economic adjustments. However, the process can involve considerable delays in finalizing vital financing agreements. While progress is now being made on a number of rescheduling and new money packages, greater flexibility in the banks' syndication process may be needed to better suit the needs of the various parties.

Therefore, and within the Program for Sustained Growth initiated by Secretary Baker, it may be time for the commercial banks to consider a blend of financing alternatives which will maintain the collective support and net new financing required for LDC growth, while also matching the strategies of various banks and their particular national supervisory or accounting systems. Such options as repricing, retiming, or asset conversions would seem to be entirely within the existing case-by-case approach and could facilitate future reschedulings and new money arrangements.

Finally, any discussion about policies and practices toward new financial relationships between developing countries and their bankers must consider the policies, regulations, and practices in the developing countries. It is fundamental that they provide incentives for new financial arrangements, including more hospitable policies for foreign direct and equity investments. The developing countries need to promote a reasonable environment, and their own ideas for financing options, that fit the interests of their banking partners. If the debtor countries establish those reasonable policies, I am sure more mutually beneficial relationships will develop.

Remarks by Robert L. Clarke, Comptroller of the Currency, before the Independent Bankers Association of America, Orlando, Florida, April 3, 1987

"The Greatest Good to the Greatest Number"

Although I have given more than a few speeches, this is one of the first times a group has had me back again. To be invited to speak two times in 2 years before the annual convention of the IBAA is a great honor. And I know that a return performance, here or elsewhere, is not always automatic — a fact that Winston Churchill once used to his advantage.

Churchill received an invitation from George Bernard Shaw to one of his opening plays back in the early 1900s. Shaw's note read: "Enclosed are two tickets to the first-night performance of a play of mine. Bring a friend — if you have one." Not to be outdone, Churchill shot back this reply: "Dear G.B.S.: I thank you very much for the invitation and the tickets. Unfortunately, I am engaged on that night, but could I have tickets for the second performance — if there is one."

I am happy that there is for me a second performance before the IBAA. Because the IBAA and the OCC don't always see eye-to-eye on the issues of the day, your invitation is a tribute to your tolerance and your commitment to an open marketplace for competing ideas.

I'm here today to talk about politics in general and legislation in particular.

David Hume, the great eighteenth-century British philosopher, economist, and historian, once put his finger on our greatest inducement in governmental affairs. An English lord asked Hume, "What do you consider the object of legislation?" Hume said, "The greatest good

to the greatest number." And the lord continued: "What do you consider the greatest number?" Hume replied: "Number one."

Hume was a pragmatist. He was also an empiricist. As a philosopher, he theorized that the only way we can know something exists is by experiencing it. Reviewing Britain's experience in government, David Hume, in a more sober moment, expanded on his insight into government and politics.

He wrote: "It is therefore on opinion only that government is founded. . . . Opinion is of two kinds; to wit, opinion of interest and opinion of right" — that is to say, of principle.

In banking politics, I believe, there is no distinction between principle and interest. In banking, principal and interest add up to one thing: money.

How to attract money? How to use money? And, most important, how to make money? These are the three questions around which banking revolves.

Bankers are noted for pragmatism, bankers are noted for empiricism, bankers are noted for reason — in the business world.

But I must admit to you that over the year since I last addressed this convention I have watched banking's performance as an industry in the business world, and I have watched banking's performance in the political arena, and I have grown puzzled ... perplexed ... confounded.

Why?

Because what has happened in politics, and particularly what has happened in legislation, bears so little relation to what has happened, and what is happening, in the business world.

I look at banking's business performance over the last year and I see the net income of the industry declining 1.4 percent; the number of banks reporting losses — net income less than zero — climbing to 2,784, nearly 20 percent of the industry as a whole; and the number of "problem" banks rising 33 percent, to 1,457 at year-end 1986.

I see that the vast majority, more than 80 percent, of the industry's unprofitable banks are located west of the Mississippi. And I see that an even greater percentage of unprofitable banks are those that had assets of less than $300 million.

This experience reveals that the banking industry, as a whole, has a problem. That problem is finding a new answer to the third fundamental question around which banking revolves: How to make money? Those banks that don't make it, won't make it for long.

I know that many of you have heard me say before that banks aren't in business to make loans. Banks are in business to make money. If banks can make money making loans, that's fine. But if banks can't make money making loans, bankers must find some other means to ensure their survival. Given banking's business performance over the last year — income declining, the number of unprofitable banks increasing, the number of problem banks climbing — bankers should be doing everything they can to find new ways to make money.

I am puzzled . . . perplexed . . . and confounded that many bankers are not.

And I am bewildered that so many bankers, and the IBAA as an organization, would overlook this urgent need and instead devote so much time, energy and attention to what I believe is a far less compelling problem: the future of the so-called "nonbank bank," more appropriately termed the "limited-service bank."

In an attempt to understand this organization's opposition to the limited service bank better, over the last several weeks I have reviewed the legal materials it submitted to the Florida District Court in the case *IBAA v. Conover,* which, as you know, in the fullness of time became *IBAA v. Clarke*. The most concise statement of this organization's position came in an affidavit that one of your officials filed back in 1984.

In it he stated that the limited service banks place IBAA members at "a severe competitive disadvantage, in that nonbank banks and organizations owning them are permitted to operate without regulation by the Federal Reserve Board and without reference to the restrictions on combinations of banking and nonbanking organizations or prohibitions against interstate banking in the Bank Holding Company Act."

Let's look at the elements of that statement one by one.

There is no doubt in my mind that independent banks, and all other commercial banks, are at a competitive disadvantage to some of the organizations that own or have applied to own limited service banks. That competitive disadvantage, however, is not that these organizations can use the limited-service bank as a tool in their business. Rather, the competitive disadvantage arises from the fact that these organizations can offer a far wider range of financial services to their customers than you are allowed to offer. Were the mechanism of the limited-service bank to disappear tomorrow, these nonbank financial service organizations would still retain their competitive advan-

tage over you. They would need to find other means to duplicate the functions the limited-service bank now provides to their customers, but they have repeatedly shown that where there is a need, they will find the means.

I also agree with you that the combination of traditional banking and nonbanking functions in one organization places you at a competitive disadvantage. But let me ask you this: Did GMAC or Ford Motor Credit have to use a limited-service bank to sweep up your automobile financing business last year? They did not. But they sure did take the business.

Let's look at another element in the affidavit: that the owners of limited-service banks have a competitive advantage from being able to operate these institutions "without regulation of the Federal Reserve Board."

I agree with you that some of these institutions have a competitive advantage, but as I have just stressed, they have an advantage whether they own a limited-service bank or not. And, even if they did not own a bank, they could merely "rent" a bank by establishing an affiliation, as other of your competitors have done.

Furthermore, this element of the affidavit suggests that the limited-service bank is an unsupervised entity. I can only speak to those instititutions chartered by the OCC, but our policy is to supervise these limited-service institutions in exactly the same manner as any other national bank. Because they are national banks. We demand that they meet the same standards for obtaining a charter as any other national bank. We examine them like any other national bank. And they are subject to <u>all</u> of the rules and regulations that apply to national banks.

To suggest that these institutions are not regulated at all because they are not regulated by the Fed would mean that all the banks in the country not regulated by the Fed are not regulated at all. As all of you from independent national banks will attest, that is simply not the case.

Finally, there is the element of interstate banking. Here, I believe, we find the IBAA's greatest concern. Over the years since IBAA filed its suit against the OCC, the restrictions against interstate banking have lessened considerably. Given the trend toward regional pacts, and full reciprocity in some cases, even this matter is of far less import to independent bankers today than just 3 short years ago.

Furthermore, because of those changes in state laws regarding out of state entrants, we estimate that more than one third of the applications for limited-service banks now pending in our office might not be pursued today even if all the constraints on our chartering authority were removed.

Here in Florida alone, we believe five out-of-state banking organizations could abandon their proposals and instead acquire existing institutions in the state.

Furthermore, it seems to me that the only remaining question concerning interstate banking depends on how you define that term. Interstate banking may mean to you the physical presence of an out-of-state competitor. In other words, you may define it as the presence of your market of a brick-and-mortar building that has a sign stating "BANK" above the entrance. We are not there yet nationally — but clearly there is far, far less distance to travel to get there than there was 3 years ago.

However, interstate banking may mean to you — as it means to me — performing banking functions where an institution wants to perform them — and establishing customer relationships where it wants to establish them — regardless of state lines. And if this is the case, as I believe it is, we are there and we have been there for some time. Most important, you don't have to be a bank to perform many of those functions.

Not too long ago, the Washington office of the OCC received the results of an interesting examination — an ecclesiatical examination by St. Peter at the gates of Heaven.

Three men were applicants. The first man said to St. Peter: "I was a minister of the Gospel for 40 years." "Step aside for further consideration," St. Peter said. The second man reported: "I was a minister also, although for only 30 years." "Step aside for further consideration," he was also directed. then the third candidate stepped up and said: "I was not a minister — but for 5 years I was a National Bank Examiner."

"Step right in," said St. Peter, bowing low.

"But, sir," objected one of the other two, "how is that this mere bank examiner is permitted to enter the pearly gates before two ministers?"

"Because," said St. Peter, "The way I look at it this man scared the devil out of more people in 5 years than you two did in your 70 years put together."

I'm not here today to preach. And I'm certainly not here to scare the devil out of you. But, following in the tradition of Comptrollers over the last 20 years, I do believe you have cause for concern. And I do believe that cause is not the limited-service bank.

Several weeks ago, a delegation of bankers from a large state association active in the nonbank bank controversy visited us in Washington. During our meeting, we asked the 40 or so bankers: "Can you give us the name of a nonbank bank that competes directly with you?" Not one

could. Had we, however, asked them to name a nonbank financial services company offering banking, securities and insurance services that competed directly against them, I am sure they all could have done so. Just as I am sure all of you can.

Why then does the IBAA invest its political capital in legislation to forestall what is perceived as a potental competitive threat when the real competition continues to batter all banks? Why not invest that political capital in legislation with a greater dividend, legislation that would allow you to meet the real and present competition on more equal terms? I know that IBAA wants to close the so-called nonbank bank loophole in the worst way — but why do it in the worst way — by trading off legislation that would aid you in meeting the real competition today?

I have heard all my life that it is better to give than to receive, but why did IBAA have to take those words literally by supporting legislation that gives up virtually everything banking needs to compete, in exchange for practically nothing it really needs?

Those questions leave me puzzled, perplexed, and confounded.

If IBAA succeeds in closing the loophole by sacrificing legislation urgently needed by many independent banks to survive, what kind of victory will this organization achieve? As Abraham Lincoln once pointed out: you can call a horse's tail a leg, but it is still a horse's tail.

I realize that independent bankers are not all of one mind on how to proceed to the future. At this convention last year I talked about one independent banker, Raymond Tiedje, president of a bank in Norfolk, Nebraska, a town of 26,000. I described how Mr. Tiedje, and other bankers in the Norfolk area, banded together to establish a full-commission brokerage firm to take stock trades for customers. And I noted that his institution affiliated with a real-estate agency in that town and how all these affiliations were designed to provide the customer with a full range of financial services.

Mr. Tiedje's efforts were testimony to the independent banker's will to survive and prosper in changing times. His efforts were heartening.

Over the last year, I have seen testimony from other independent bankers that is just as heartening, testimony that independent bankers want change so that they can compete.

For example, several weeks ago, George W. Hamlin IV, president and chief executive officer of the Canandaigua National Bank and Trust Co., in upstate New York, testified before the Federal Reserve Board on why small banks need broader securities powers. His independent bank is located in a county with a population of less than 100,000.

Mr. Hamlin told the Fed: "Much has been made of financial deregulation in London and Tokyo and its impact on international competition. But I can testify personally that financial innovation is having a parallel effect in local markets such as that which surrounds Canandaigua through the securitization of mortgage, auto, and consumer loans and the impact of various retail money market instruments."

Mr. Hamlin told the Fed: "We call ourselves a full-service bank. Yet, we are having to tell our customers that full service does not include a number of increasingly important, and increasingly demanded, financial products."

Mr. Hamlin told the Fed: "The ongoing development of securitized consumer receivables is also eroding our core business. Outstanding mortgage-backed securities as a percentage of total residential mortgages outstanding is now about 25 percent, five times greater than in 1975. In the first 6 months of 1986, the share of all new auto loans extended by finance companies was 80.9 percent, compared with 2.5 percent for all commercial banks. These have been staple assets for my bank."

And Mr. Hamlin warned the Fed: "To the extent that nonbank competitors are able to attract our customers, so goes the raw material out of which we build and support the growth of our communities. Indeed, these capital funds represent literally the very building blocks that form the foundation of our community."

Most of you, I'm sure, have never met George Hamlin, but from his testimony you can draw a few conclusions about him. You can tell that he is an eloquent man, an independent banker, and nobody's fool.

Ladies and gentlemen, the Comptroller of the Currency, whoever holds the office, is often subject to criticism. I took the job knowing that would be the case. It has been. But I know it could be worse.

One of my predecessors had the misfortune of being on the receiving end of a sharp witticism from the pen of no less than Mark Twain. In describing what he called the "impenetrable obscurity" of my predecessor's mind, Twain wrote: "The very fires of the hereafter could get up nothing more than a fitful glimmer in it."

There may be among you some who would say: "The more things change, the more than stay the same."

Even if that is so, I hope we would all agree that we share the same principle and interest when it comes to bank

ing legislation: the greatest good to the greatest number of you.

At the OCC, we have a public policy purpose: to ensure the safety, stability and soundness of the banking system for the benefit of the communities you serve. To be safe, stable and sound, you must make money. If you can't generate or attract capital, you can't stay in business. And if you can't stay in business, not only do you suffer, but so do the customers and communities you serve.

I therefore urge you to reconsider what you consider the greatest good to the greatest number to be. And I urge you to give some additional consideration to what will ensure your presence at what I hope to be my fifth consecutive address to the IBAA Annual Convention a few years hence.

Interpretive Letters and Investment Securities Letters

Interpretive Letters—January 15 to March 15, 1987

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375—September 25, 1986

Ms. Marcia L. MacHarg
Debevoise & Plimpton
1777 F Street, N.W.
Washington, D.C. 20006

Re: Acquisition of Vickers da Costa Securities (Holdings), Inc. by Citibank, N.A.

Dear Ms. MacHarg:

We have received your cover letter dated July 31, 1986, and the enclosed copies of letters to the Securities and Exchange Commission (SEC or Commission) dated July 28, and April 2, 1986, concerning proposed arrangements between certain of Citicorp's foreign securities subsidiaries and Vickers da Costa Securities, Inc. We have also received a copy of the Final Order of the SEC, dated August 13, 1986, regarding the same proposed arrangements.

We understand that during your discussions with the SEC staff, Citibank has made certain representations regarding the manner in which the activities of the Foreign Securities Subsidiaries and Vickers da Costa Securities, Inc. (Vickers NY) will be conducted. These representations modify the activities of Vickers NY and the Foreign Securities Subsidiaries as such activities were originally presented to this Office in Citibank's Notification to acquire Vickers NY, dated February 28, 1986, and upon which this Office acted in its letter of June 13, 1986. In addition, the SEC in its Order imposed requirements additional to the representations made by Citibank to the SEC staff. These requirements also modify the activities of Vickers NY and the Foreign Securities Subsidiaries. Citibank requests confirmation that the modifications to the activities of Vickers NY and the Foreign Securities Subsidiaries do not constitute a significant change or expansion of activities within the meaning of the 12 C.F.R. § 5.34.

As we understand from you, the modifications to the activities of Vickers NY and the Foreign Securities Subsidiaries, as discussed in the July 28, 1986 letter to the SEC, the August 13, 1986 Order of the Commission, and subsequent conversations with this Office, are as follows:

First, the orders placed by the Foreign Securities Subsidiaries for execution by Vickers NY will contain information permitting Vickers NY to determine whether transactions entered into with a Foreign Securities Subsidiary are for the Foreign Securities Subsidiary's own account or placed on behalf of a customer of the Subsidiary. Vickers NY will reflect this information in its records.

Second, should the Commission, in furtherance of its statutory responsibilities, request information with respect to any trading activity involving a customer of a Foreign Securities Subsidiary in a transaction with Vickers NY, Citicorp will (1) cause the Foreign Securities Subsidiary to furnish its basic trading data relating to any such transaction and (2) use its best efforts to obtain, or to cause the appropriate Foreign Securities Subsidiary to obtain, the consent of such customer authorizing the Foreign Securities Subsidiary to provide additional requested information to the Commission. In addition, prior to the commencement of the proposed activities, Citicorp will cause Citibank to be designated as an agent upon whom may be served any process, pleadings or other papers in any investigation, administrative proceeding, civil suit or other action brought by or on behalf of the Commission, or to which the Commission is a party, arising out of any activity occurring in connection with a transaction involving a Foreign Securities Subsidiary. In undertaking to designate Citibank as an agent for service of process, Citicorp does not waive or compromise any defense that a Foreign Securities Subsidiary or any of its customers may have to a claim asserted by the Commission. Moreover, the ability of a Foreign Securities Subsidiary to respond to U.S. process may be subject to its obligations under foreign law, including its duty of confidentiality to its customers.

Third, Vickers NY will, in addition to maintaining its net capital pursuant to the requirements of Rule 15c3-1 under the Securities Exchange Act of 1934, as amended (the Act), make the following additional net capital computation: Vickers NY will calculate the aggregate net contract amounts between the date of execution and the day preceding the regular way settlement date of all transactions in securities which have been executed on the order of Foreign Securities Subsidiaries, adjusted by adding as a debit the market value of all short positions in such securities and by deducting as a credit the market value of all long positions in such securities. If the foregoing computation results in a net debit, such debit, plus an amount equal to 2 percent thereof, shall be applied as a reduction of net capital. If the computation results in a credit, such credit balance shall be ignored for purposes of net capital computation.

The special computation described above would not be reported on Vickers NY's regulatory FOCUS Reports but, instead, would be reported to the staff of the SEC's Division of Market Regulation and to the National Association of Securities Dealers, Inc. on a periodic basis corresponding to the quarterly filing requirements for FOCUS Reports. In addition, it is Citicorp's policy periodically to review the capital and liquidity positions of Vickers NY

as well as all of Citicorp's Foreign Securities Subsidiaries, in order to assure that these subsidiaries conduct their activities in accordance with the highest commercial standards.

Fourth, Vickers NY has limited authority to set the actual prices at which orders are executed. Under the contractual arrangements to be entered into between Vickers NY and each Foreign Securities Subsidiary, orders for the Foreign Securities Subsidiary's principal account will be placed and executed as follows.

Once each week, before the opening of trading in the U.S. markets, a Foreign Securities Subsidiary (which, it is anticipated, will generally be Vickers da Costa Ltd.) will place with Vickers NY both bid and asked orders for each security in which Vickers NY is a NASDAQ Level 3 riskless principal market maker. These orders, required always to be in a size sufficient to permit Vickers NY to satisfy its obligations as a Level 3 market maker, will be placed on a "not held" basis, permitting Vickers NY to execute such orders as it deems appropriate in the customer's best interest. Each such buy or sell order will contain broad parameters (which will be either 10 percent of the market price as of the immediately preceding close or plus or minus $2, whichever is greater) within which Vickers NY is permitted to establish the prices at which orders will be executed. The contractual agreement will not permit the Foreign Securities Subsidiary to alter these orders. However, if the market for a particular security changes sufficiently that the established parameters are approached, Vickers NY will request additional instructions from the Foreign Securities Subsidiary, including revised parameters if appropriate. Specific prices at which these orders will be executed by Vickers NY as riskless principal will be established solely by Vickers NY, consistent with its obligation to provide best price and execution to all of its customers. Thus, Vickers NY will continue to have the same prerogatives and responsibilities with respect to setting prices and executing transactions that it has now in executing trades; the role of the Foreign Securities Subsidiaries in such matters will be substantially the same as at present.

Vickers NY will continue to treat Foreign Securities Subsidiary agency orders (that is, orders placed by a Foreign Securities Subsidiary acting in an agency capacity) as its does at present. Such orders are not subject to the limitations described in the preceding paragraph.

Vickers NY expects to maintain telephone contact over a direct line with each Foreign Securities Subsidiary during the period when the business hours of Vickers NY and the Foreign Securities Subsidiary overlap. During this period, Vickers NY will advise the Foreign Securities Subsidiary about the status of such Subsidiary's buy and sell orders and will exchange current market information. After the close of business abroad, Vickers NY may, from time to time, telephone or be contacted by employees of the Foreign Securities Subsidiary to discuss the status of the Foreign Securities Subsidiary's buy and sell orders placed with Vickers NY and to exchange current market information.

We understand that, consistent with past practice, employees of Vickers NY will travel abroad for specified periods to be employed by a Foreign Securities Subsidiary where such person will engage in market making activities permissible for the Foreign Securities Subsidiary. In this instance, the person will conduct no riskless principal market making activities on behalf of Vickers NY. Likewise, an employee of a Foreign Securities Subsidiary may be assigned for a specific period to work at Vickers NY. In this instance, such person will not engage in any market making business on behalf of the Foreign Securities Subsidiary. In either case, the person assigned to an entity under this arrangement will be supervised exclusively by the organization to which he is assigned during the relevant period.

In addition, the SEC in its Order stated the following: The Foreign Securities Subsidiaries will be customers of Vickers NY. All U.S. customers who are parties to transactions between Vickers NY and the Foreign Securities Subsidiaries will be customers of Vickers NY. No U.S. citizen or resident will be a customer of any Foreign Securities Subsidiary. For purposes of these tranactions, no U.S. customers will have any contact with the Foreign Securities Subsidiaries. Vickers NY will carry all U.S. citizens' or residents' accounts, send confirmations and make funds and securities available to U.S. customers. If any employee of a Foreign Securities Subsidiary is in a position to have contact with U.S. customers, that person will become an employee of Vickers NY and, as an associated person of Vickers NY, will meet applicable NASD testing and qualification requirements.

Upon subsequent conversations with this Office, Citibank has represented that Vickers NY does not presently have any employees under its supervision at a Foreign Securities Subsidiary, nor does it anticipate having any such employees in the future. If a U.S. citizen abroad wishes to place an order in a security traded on the NASDAQ system or any published quotation service such the "pink sheets," such person will be required to place his order directly with Vickers NY, and will not transact such business directly with the Foreign Security Subsidiary.

This Office is of the view that the above described modifications to the activities of Vickers NY and the Foreign Securities Subsidiaries do not comprise any significant change or expansion of activities within the meaning of 12 C.F.R. § 5.34(d). Therefore, this Office need not take

any further action with respect to the acquisition of Vickers da Costa Securities (Holdings), Inc. by Citibank.

Emory W. Rushton
Acting Deputy Comptroller for
Multinational Banking

* * *

376 — October 22, 1986

This is in response to your letter of February 28, 1986, to Mr. Dean E. Miller, Deputy Comptroller for Specialized Examinations. You state that your bank (Bank) presently offers a securities lending program to certain of its fiduciary accounts. Under this program, securities held by the Bank as master trustee are loaned to, among others, qualified borrower banks and brokers. As part of this program, the Bank desires to provide its fiduciary account customers with indemnification for any losses arising from participation in the program. In other words, the proposed indemnification would go beyond a mere indemnification for losses caused by the Bank's negligence or wrong doing and would, in effect, guarantee the conduct of a third party: the securities borrower.

You have requested our view on whether this indemnification would be permissible under OCC Interpretive Ruling 7.7010 (12 C.F.R. 7.7010) which states in relevant part:

> A national bank may lend its credit, bind itself as a surety to indemnify another, or otherwise become a guarantor, if it has a substantial interest in the performance of the transaction involved or has a segregated deposit sufficient in amount to cover the bank's total potential liability.

Specifically, because there will be no offsetting deposit, you ask whether or not Bank will have a sufficiently "substantial interest" to support the indemnification program. You note that such a program is extremely attractive to and virtually demanded by many of the large employee benefit and institutional account customers of the Bank. Additionally, you have stated that such indemnifications are given by many other institutions servicing such clients.

In Banking Circular No. 196, OCC has provided extensive guidance on bank securities lending activities. The Banking Circular adopts the Federal Financial Institutions Examination Council Supervisory Policy on lending of investment securities. You have stated that the Bank fully complies with that Supervisory Policy. Significantly for your inquiry, the Policy recognizes that indemnification provisions are frequently part of lending programs and states:

> Certain lender institutions offer participating accounts indemnification against losses in connection with securities lending programs. Such indemnifications may cover a variety of occurrences including all financial loss, losses from borrower default, or losses from collateral default. Lender institutions that offer such indemnification should obtain a legal opinion from counsel concerning the legality of their specific form of indemnification under federal and/or state law.

The Policy also provides extensive prudential controls on securities lending including record keeping, credit analyses and approval of borrowers, credit and concentration limits, collateral management, regulatory reporting and the necessity of written policy and procedures. With respect to regulatory reporting, the Policy Statement indicates that lending institutions offering indemnification against loss to their customer owners should report the associated contingent liability gross in the schedule RCL of their call reports as "Other significant commitments and contingencies."

The general prohibition against guarantees by national banks arises from the doctrine of ultra vires. Under this doctrine, because federal law grants no express authority for national banks to guarantee the acts of third parties, the issuance of such guarantees is generally deemed to be beyond their powers. *Miche on Banking* at § 163; Glass, "The Developing Power of Banks to Issue Guarantees," 1 Banking Law Rep. 23, 39 (May and June 1984); Lord, "The No-Guarantee Rule and the Standby Letter of Credit Controversy" 96 Banking Law J. 46 (1979). However, since the general prohibition of guarantees is based upon the utlra vires doctrine, the prohibition is, likewise, subject to the general exceptions of that doctrine. One such exception is that a national bank may engage in an activity not within its express authority if the activity is incidental to the business of banking. 12 U.S.C. § 24(7).

There is extensive case law recognizing that the incidental power exception applies to the guarantee prohibition. In *Peoples Bank of Belleville v. Manufacturers National Bank of Chicago*, 101 U.S. 181 (1880), the Supreme Court held that incidental to its express power to discount and negotiate a promissory note, a national bank transferring a note could guarantee the note and, hence, the transaction was not ultra vires. *See also Cochran v. United States*, 157 U.S. 286, 297 (1895) ("We have held a contract of guarantee is within the implied powers of a national bank."); *Appleton v. Citizens Century National Bank*, 101 N.Y.S. 1027 (App.D. 1906); *Farmers' & Miners Bank v. Bluefield National Bank*, 11 F.2d 83, 85 (4th Cir.), *cert. denied*, 271 U.S. 669 (1926). Similarly, there are a series of cases holding that a national bank, under its incidental powers, may legally guarantee the obligations of another bank in order to support that bank and, there-

or promote its own survival in a financial panic. In *Southern Exchange Bank v. First National Bank*, 141 S.E. 323, 326 (App. Ga. 1928), the court stated:

> It is well settled by numerous and repeated decisions of all courts that a national bank cannot bind itself by a contract of guaranty made solely for the benefit of another. However, it is equally well settled that a contract of guaranty made by such a bank for its own benefit is valid and binding, and is not ultra vires. The power to make such a contract is one of the implied or incidental powers arising from the express or specific powers granted to national banks by the provisions of section 5136 of the Revised Statutes of the United States (12 USCA § 24). Under that section a national bank has all the incidental powers to carry on the banking business, and the petition in the instant case alleges in substance, that the contract in question was made to protect and preserve the banking business of the defendant bank, and to save it from a probable monetary loss and financial ruin. (*See also McCoy v. Adams*, 29 F. Supp 815 (E.D. Pa. 1939).)

The exception was well summarized in *Dunn v. McCoy*, 113 F.2d 587, 589 (3rd Cir. 1940), where the court, after noting that generally national banks lack the authority to issue guarantees, quoted with approval the following:

> "The absence of an express grant of power, however, has not prevented the enforcement of guaranties which the courts would characterize as having been entered into by banks for the furtherance of their own rights or as an incident to the transaction to their own business. Under the applications of this flexible rule, it is clear that in order to protect authorized loans, a bank may ordinarily guarantee to its debtors' other creditors that their pre-existing or subsequently created loans will be paid. A bank may also guarantee the quality of its debtor's goods in order to induce a potential purchaser of those goods to assume the debt, or warrant the quality of goods in order to realize on collateral security already obtained, or guarantee payment of a note which is the obligation of another, if this is necessary to dispose of its own paper and securities, and the guaranty of the liabilities of another bank, if accompanied by a receipt of assets, may be upheld as incidental to the exercise of the power either to purchase and discount paper and securities or to buy and sell coin and bullion." (Footnotes omitted.)

In its interpretive letters, OCC has expressly recognized the incidental power exception to the general prohibition against guarantees. We have said:

> [An exception] has been recognized when the guarantee entered into by a bank is for the furtherance of the banks' rights as incident to the transactions of their own business; this guarantee will be enforced notwithstanding the absence of the express grant of power. (OCC Interpretive Letter No. 79 (July 26, 1979), [1978-1979 Transfer Binder] CCH Federal Banking Law Reporter ¶ 85,154.)

OCC has also expressly recognized this general exception in a series of interpretive rulings. Some rulings apply the exception to specific situations. *See* 12 C.F.R. § 7.7000 (guarantee of notes by a national bank) and 12 C.F.R. § 7.7015 (check "guarantee" plans). In contrast, I.R. 7.7010 is intended to provide a general statement of the incidental powers exception. In OCC Interpretive Letter No. 214, (July 23, 1981), [1981-1982 Transfer Binder] CCH Federal Banking Law Reporter ¶ 85,295, OCC specifically stated that I.R. 7.7010 is based upon the case law of *Dunn v. McCoy*, *supra*, and *Southern Exchange Bank v. First National Bank*, *supra*. Accordingly, I.R. 7.7010 should be construed in that light.

In the past, OCC has provided relatively little guidance as to what constitutes a sufficiently "substantial interest" to support a guarantee. Nevertheless, it follows from the above discussion that the issue of whether a national bank has a sufficiently "substantial interest" to warrant a guarantee turns ultimately on whether the guarantee is validly "incidental" to another authorized activity of the bank involved in the transaction. We have said that a "substantial interest" cannot be an interest created by the guarantee itself. *See* Interpretive Letter No. 57 (October 5, 1978), [1978-1979 Transfer Binder] CCH Federal Banking Law Reporter ¶ 85,132. This is simply an application of the general rule that an incidental power can neither create powers which expressly or by reasonable implication are withheld nor enlarge powers given, but only carry into effect those powers which are granted. *First National Bank v. Missouri*, 263 U.S. 640, 659 (1924).

An activity is authorized as an incidental power if it is "necessary to carry on the business of banking," *i.e.*, if it is "convenient or useful in connection with the performance of one of the bank's" authorized activities. *Arnold Tours Inc v. Camp*, 472 F.2d 427, 431-32 (1st Cir. 1972). Under this formulation, there are a wide variety of ways in which an activity or service may be "incidental" to another authorized banking activity or service. However, this Office will not permit national banks to engage in purportedly "incidental" activities which are unsafe or unsound. 12 U.S.C. § 1818(b).

In cases applying the incidental powers rule, it has been recognized that there are services that are so integrally related to other authorized services as to warrant their provision in a specialized form by banks so that a con-

sumer of the authorized "banking" service can fully and efficiently enjoy its utility. In this way, a bank can fully promote the convenience of the primary authorized service. Thus, in *Clement National Bank v. Vermont*, 231 U.S. 120 (1913), a national bank was held to have as incidental to its deposit function the power to compute, report, and pay a state tax levied upon the interest earned by bank customers on deposits. Specifically, the Court said:

> [I]t would seem highly appropriate that, the credits of depositors being taxable by the state, the bank should be free to make reasonable agreement and thus promote the convenience of its business, with respect to the making of returns and payment of such amounts as the state might lawfully require of its depositors. (231 U.S. at 141 (emphasis added).)

Similarly, in *Miller v. King*, 223 U.S. 505 (1912), after noting that a national bank had the power to "do those acts and occupy those relations which are usual and proper in making collection of commercial paper and other evidences of debt," the Court held that a national bank could receive from its customer an assignment of a judgment and institute an action for the collection of the proceeds. *See also Merchants' National Bank v. State Bank*, 77 U.S. 604 (1871) which found that the certification of checks was developed in response to the needs of business deposit customers and, therefore, was within the permissible activities of national banks despite the absence of an express authorization. *Cf. National Courier Association v. Board of Governors*, 516 F.2d 1229 (D.C. Cir. 1975) (courier services for financially related data processing materials was "closely related" to the banking function of data processing because customers of financial data processing required a specialized transport system in order to obtain the full benefits of such processing), and *Alabama Association of Insurance Agents v. Board of Governors*, 533 F.2d 224 (5th Cir. 1976), *vacated in part*, 558 F.2d 779 (5th Cir. 1977), *cert. denied*, 435 U.S. 904 (1978) (incident to a holding company's authorization to sell property damage insurance on loan collateral, the company could also offer liability insurance because consumers would, for reasons of cost and convenience, want to purchase both forms of insurance in a single package).

OCC appears previously to have followed the above standard with respect to a proposed guarantee activity by national banks. In OCC Interpretive Letter No. 177 (January 14, 1981), [1981-1982 Transfer Binder] CCH Federal Banking Law Reporter ¶ 85, 258, OCC concluded that a national bank could, in direct deposit agreements, provide for reimbursement of third party payors in the event that a customer/depositor was not entitled to the payment. It was noted that: "A ruling that these ... reimbursement agreements are impermissible for national banks would directly inhibit the growth and development of direct deposit programs." *Id.* This ruling superseded an earlier letter which concluded that such agreements were illegal guarantees and not incidental to the depositor relationship. OCC Interpretive Letter No. 79, *supra*.

Here, you have argued in effect that the proposed indemnification or guarantee is "incidental" to the securities lending service the Bank provides to its trust customers and that such indemnification is a necessary adjunct to that service. Further, in Banking Circular No. 196, OCC has recognized that such indemnification is commonly provided as part of the primary service of securities lending. Clearly this is not a case in which the Bank is proposing to sell its guarantee as the primary product; the guarantee is merely a minor part of a much larger package of banking services. Finally, if the Bank complies fully with Banking Circular No. 196 which requires, inter alia, that the Bank conduct a complete credit review of prospective securities borrowers and obtain adequate collateral, the guarantee of securities lending will be a safe and sound activity. Accordingly, I find that such an activity is incidental to the securities lending business and, thus, that the Bank does have a "substantial interest" in the activity under Interpretive Ruling 7.7010.

Peter Liebesman
Assistant Director
Legal Advisory Services Division

* * *

377 — February 6, 1987

This is in response to your letter and follow-up memorandum concerning your client, *** (op. sub.), an operating subsidiary of *** (bank). You presented two proposals wherein op. sub. might engage in the title insurance business in connection with its mortgage lending activities.

Under one proposal, op. sub. would serve as an agent of a national title company and issue policies under the name of that company. Op. sub. and the title company would divide the premium paid by the customer, and op. sub. in turn, would forward a portion of its share of the premium to the attorneys who searched the title.

Alternatively, op. sub. would form its own insurance company to issue title insurance policies under that name. In doing so op. sub. represents that it will not require mortgage customers to purchase title insurance from it or an affiliated title insurance company. In other words, there will be no "tie-in" between the loan of mortgage money by op. sub. and the acquisition of title insurance from it. Op. sub. plans to avoid any risk of exposure on the title insurance policies it issues by reinsuring the policies with a national title insurance carrier, such as *** Op. sub. will also receive a premium for the issuance of such policies

a portion of which will be shared with the attorney or attorneys retained by op. sub. to conduct the necessary title search.

In OCC Staff Interpretive Letter No. 368, July 11, 1986, [Current] Fed. Banking L. Rep. (CCH) ¶ 85,538, we indicated that a national bank or its operating subsidiary could sell title insurance as agent in connection with its mortgage loans. Accordingly, op. sub. could offer and sell title insurance policies to borrowers in an agency capacity. We also believe, for some of the reasons mentioned in that letter and for reasons spelled out below, that op. sub. can implement its underwriting-reinsurance proposal as well. Of course, before proceeding with either program, a notification must be submitted to the OCC in accordance with 12 C.F.R. § 5.34.

The sale or underwriting of title insurance in connection with op. sub.'s mortgage loans is part of or incidental to banking within the meaning of 12 U.S.C. § 24 (Seventh), which in pertinent part authorizes a national bank to "exercise ... all such incidental powers as shall be necessary to carry on the business of banking." The courts have construed what is incidental to banking in various ways. As indicated in Interpretive Letter No. 368, one approach was adopted in *Arnold Tours Inc. v. Camp*, 472 F.2d 427 (1st Cir. 1972), an opinion invalidating an OCC ruling that permitted national banks to offer travel services. The court in *Arnold Tours* stated that:

> a national bank's activity is authorized as an incidental power, 'necessary to carry on the business of banking,' within the meaning of 12 U.S.C. § 24, Seventh, if it is convenient or useful in connection with the performance of one of the bank's established activities pursuant to its express powers under the National Bank Act. (472 F.2d at 432.)

Under this test, for the sale or underwriting of title insurance to be incidental to the business of banking, it must be viewed as convenient or useful in connection with the performance of some power expressly authorized to national banks. The test in *Arnold Tours* has been cited with approval at the federal court of appeals level. *See, e.g.*, *National Retailer Corp. v. Valley National Bank*, 590 F.2d 315 (9th Cir. 1979) (concerning the offering of electronic data processing services by national banks); *M&M Leasing v. Seattle First National Bank*, 563 F.2d 1377 (9th Cir. 1977) (regarding the leasing of personal property by national banks).

Although the *Arnold Tours* test has found some acceptance, the OCC believes the test is too restrictive. Indeed, a long line of United States Supreme Court decisions have used broader and more realistic standards regarding what is incidental to banking. The Court has employed such flexible criteria as whether the practice in question "has grown out of the business needs of the country";[1] whether the activity is a "reasonable and appropriate measure";[2] whether the activity is "in terms prohibited by the national banking act";[3] whether there was anything "in this transaction ... so disconnected with the banking business as to make it in violation of" 12 U.S.C. § 24 (Seventh);[4] whether the activity would "promote the convenience of [the] business" of banking;[5] whether the activity is a "generally adopted method" of banks;[6] and whether "modern competition for business" finds the activity "one of the most usual and useful weapons."[7] *Cf. IBAA v. Heimann*, 613 F.2d 1164 (D.C. Cir. 1979) (finding that banks can sell credit life insurance because they have traditionally engaged in similar activities). It is clearly permissible under any of these criteria for banks and their subsidiaries to offer and provide title insurance protection to loan customers.

Even under the restrictive approach of *Arnold Tours*, such a service to mortgage borrowers is incidental to the express power to make real estate-secured loans. Bank lending authority is expressly conferred in 12 U.S.C. § 24 (Seventh) and in 12 U.S.C. § 371, the latter indicating that national banks may "make, arrange, purchase or sell loans or extensions of credit secured by liens on interests in real estate ...." As a matter of safe and sound banking practice, the mortgage lender must assure itself that its borrower has good title to the collateral which will secure the loan. A bank's ability to offer title insurance protection on such loans is a useful adjunct to this lending service. Being able to obtain title insurance protection from their lender is also convenient and useful to mortgage loan customers.

There is a close connection between mortgage lending (the express banking service) and title insurance on the mortgage loan collateral (the incidental service). This is similar to the situation of bank lending supported by credit life, health and accident insurance for loan customers. Both credit life insurance and title insurance are specialized forms of insurance offered to loan customers. Both forms of insurance anticipate remote but not impossible events during the term of a particular loan. Credit life insurance anticipates the possible death of a borrower during the term of a loan while title insurance anticipates pos-

[1]*Merchants' Bank v. State Bank*, 77 U.S. 604, 648 (1870) (certifying checks)

[2]*National Bank v. National Exchange Bank*, 92 U.S. 122, 127 (1875) (acquiring stock in the settlement of a claim)

[3]*Wyman v. Wallace*, 201 U.S. 230, 243 (1906) (borrowing money)

[4]*Miller v. King*, 223 U.S. 505, 511 (1912) (collecting judgment on behalf of a depositor)

[5]*Clement National Bank v. Vermont*, 231 U.S. 120, 140 (1913) (paying taxes on behalf of a depositor)

[6]*Colorado National Bank v. Bedford*, 310 U.S. 41, 50 (1940) (conducting a safe-deposit box business)

[7]*Franklin National Bank v. New York*, 347 U.S. 373, 377 (1954) (advertising authorized business of banks)

sible flaws in a title used to secure repayment of principal and interest owed on a loan. As such, both types of insurance serve to protect the lender's and the borrower's interests in loan transactions.

The sale and underwriting of credit life insurance has been previously authorized by this Office. *See* Interpretive Letter No. 277, December 21, 1983, [Current] Fed. Banking L. Rep. (CCH) § 85,441; 12 C.F.R. Part 2. The specialized nature of credit life insurance was recognized by a federal court of appeals when it stated that:

> Unlike other forms of insurance coverage, however, credit life insurance is a limited special type of coverage written to protect loans. In no way does it involve the operation of a general life insurance business [or other general insurance business] whether written in a town of over or under 5,000 inhabitants. (*IBAA v. Heimann, supra*, 613 F.2d at 1170.)

The court also found that the sale of credit life insurance was permissible under the incidental powers clause of 12 U.S.C. § 24 (Seventh) because it serves to protect bank loans. *Id.* The court further recognized the specialized nature of credit life insurance when it distinguished its sale from the sale of broad forms of automobile, home, casualty and liability insurance. *Id.* The sale of such broad forms of insurance by banks was prohibited in *Saxon v. Georgia Assn. of Independent Insurance Agents, Inc.*, 399 F.2d 1010 (5th Cir. 1968). *Saxon* construed 12 U.S.C. § 92 to bar national banks from acting as insurance agents for fire, life or other general insurance coverages in towns of more than 5,000 population. *Saxon*, 399 F.2d at 1012-1016. That statute permits national banks to act as agents for such insurance in towns of 5,000 or less population.

In our view, the above analysis is equally applicable to title insurance. That insurance, like credit life insurance, is a specialized form of insurance designed to protect bank loans. In addition, title insurance is readily distinguishable from the broader forms of insurance addressed in *Saxon*. We therefore believe op. sub. may underwrite title insurance for its loan customers.

Authorizing national banks and their subsidiaries to issue their own title insurance policies would facilitate the insuring of such liens against unknown encumbrances that might affect the ultimate collectibility or saleability of the loans which the liens secure. Moreover, it would be convenient and useful for op. sub. to have the authority to offer such insurance directly to its real estate loan customers without going through third parties. Such authority would enable the lender to more closely coordinate its credit analysis and collateral security functions so as to facilitate the collectibility or saleability of the loans in question.

Customers would also find such an arrangement convenient and useful. As indicated in Interpretive Letter No 368, customers would be able to discuss the subject of title insurance coverage with their mortgage lender at the same time they negotiate real estate loans. In the case of op. sub., there would be no "tie-in" problems raised by such an arrangement since it would not require customers to purchase title insurance from op. sub. as a condition of receiving a mortgage loan. To impose such a requirement might violate 12 U.S.C. § 1972(1), which restricts banks' ability to require loan customers to obtain services from the bank as a condition of receiving a loan.

We also note that it would be convenient and useful for a bank to underwrite title insurance because that would facilitate the bank's normal title-insurance-related activities, such as reviewing abstracts of title and legal title opinions. For example, you indicate that op. sub. will share title insurance premiums with lawyers conducting necessary title searches for it. Obviously, op. sub. would want to review any abstracts of title and legal title opinions that the attorneys produce as a result of the title searches prior to approving loans to customers. To have the option of issuing its own title insurance policies would greatly facilitate the coordination of these activities, as well as save the time and effort necesary to obtain title insurance commitments for customers from independent title insurance companies.

Finally, it should be pointed out that title insurance was offered to customers by banks and trust companies in connection with the making of real estate loans from the 1870s until the 1930s, when bank failures resulted in a general consolidation of title insurance business in large independent title insurance companies. During this period companies offering title insurance were departments in banking institutions and their operations were an integral part of the banking business, *See* Johnson, "The Nature of Title Insurance," 33 Journal of Risk and Insurance 393, 393 (1966); Public Regulation of Title Insurance Companies and Abstracters 0.10-0.30 (Villanova Press, E. F. Roberts ed. 1961) (Villanova Treatise). In discussing the establishment of the first title insurance company around 1876, the treatise notes in this regard that.

> It [the first title insurance company] was followed by others, practically all of which consisted of title insurance departments of banks and trust companies, so that within the following fifty years practically every bank and trust company in Philadelphia had its affiliated title department which examined and insured or guaranteed the titles in real estate acquired with the bank's own funds or for the account of its trust estates or its customers. Only since 1930 have the operations of title insurers become sui juris in Philadephia through the absorption of many individ-

dual title insurance departments of banks or trust companies into several large title insurance companies not engaged in banking or trust functions. It is interesting to observe that in many areas the original title insurance companies were integral parts of trust company operations. This is not unusual, however, since banking and insurance were generally related throughout the early history of all insurance companies. *E.g.*, KIMBALL, INSURANCE AND PUBLIC POLICY 41 (1960): In the 1830's it was not uncommon in the East for insurance and banking to be carried on in a single enterprise. (Villanova Treatise at 14, n.2. *Cf.* Interpretive Letter No. 368.)

The fact that banks have historically engaged in the underwriting of title insurance in connection with their own loans suggests another similarity to the sale of credit life insurance, an activity also possessing a strong historical basis. *See IBAA v. Heimann*, *supra*, 613 F.2d at 1068 ("Credit life insurance originated early in this century as a security device to protect the extension of consumer credit by banks.")

Therefore, for the reasons discussed above, it is our opinion that op. sub. may form a company and have the company issue title insurance policies for customers taking out mortgages from it. The fact that the company would reinsure the policies it underwrites does not alter the fact that underwriting is involved here, although the ultimate risk to op. sub. on such policies is minimal or nonexistent.

Richard V. Fitzgerald
Chief Counsel

* * *

Investment Securities Letters

8—November 21, 1986

We have had an opportunity to review ***'s advertisement for municipal bond sales published in the business section of the September 17, and October 15, 1986 editions of the ***. In each advertisement the following statements are made:

> "No taxes. No commissions, No Kidding."
> "Because at The *** you'll never pay commission or up front service fees."
> "So if you would like to increase the return on your investments — and forget about commissions-contact the municipal specialist at The ***."

In light of the mark-ups and/or dealer concessions taken on sales of municipal securities, we think it may be deceptive to stress the no commissions aspect of your municipal securities sales program. It may be necessary to either discontinue the "no commissions" aspect or include the fact the mark-ups and/or dealer concessions are routinely taken.

We trust these matters will receive your prompt attention. Please advise us what steps the bank plans to take with regard to this type of advertisement.

If you have any questions, please feel free to contact Owen Carney, the Director of Investment Securities Division at (202) 447-1901.

Emory W. Rushton
Acting Deputy Comptroller
for Multinational Banking

* * *

9—October 24, 1986

We recently had an opportunity to review your October 9, 1986 *** advertisement concerning the availability of *** (mutual funds) through *** bank. We are concerned about some aspects of the program.

First, we are concerned that the statement in the advertisement that "At ***, there are no commissions. No sales fees. No redemption fees." may be deceptive in light of the fact that the bank receives fees for acting as investment advisor and shareholder servicing agent. It may be necessary to modify the advertisement either to discontinue the "no cost" aspect or to include the fact that investment advisor and shareholder servicing fees are received by bank.

Moreover, the bank's provision of this mutual fund program may raise questions under the Securities and Exchange Commission's Rule 3b-9. Accordingly, the bank should take whatever action is necessary to comply with Rule 3b-9.

We trust these matters will receive your prompt attention. Please advise us what steps the bank plans to take with regard to the foregoing.

If you have any questions, please feel free to contact Owen Carney, the Director of Investment Securities Division at (202) 447-1901.

Emory W. Rushton
Acting Deputy Comptroller
for Multinational Banking

* * *

10—November 3, 1986

This is in response to your September 26, 1986 inquiry concerning the eligibility of New Zealand dollar denominated New Zealand Government Stock for investment by a national bank. Your letter indicated that you will purchase these securities from a securities broker and you will record these holdings as a loan subject to the bank's legal lending limit and that you will revalue these securities monthly.

The basic authority and guidelines for a national bank's investments are found in 12 USC 24 and 12 CFR 1. We have also recently issued Banking Circular 216 which discusses national bank investment in securities denominated in a foreign currency. You should be aware that in order for a national bank to purchase a foreign security, the security must first meet the definition of an investment security. An investment security is a marketable bond, note or debenture that is commonly considered an investment security, i.e., not predominately speculative. Your letter and the accompanying prospectus indicates these securities are obligations of the Government of New Zealand. Moody's Investors Service rates U.S. dollar denominated obligations of New Zealand as Aa. Accordingly, it appears the securities you propose to acquire are debt obligations and would be commonly regarded as an investment grade security.

Subsequent to receipt of your letter we have discussed New Zealand Government Stock securities with *** of ***. *** indicates that New Zealand Government Stock securities are not registered under Federal securities laws and therefore cannot be offered for public sale in the United States. This may be a serious impediment to the marketability of these securities. However, you have indicated that you will arrange a custodial safekeeping account with *** Bank in New Zealand where a ready market for these securities exists.

Based upon the information provided to us we have no objection to your bank's purchase of New Zealand Government Stock subject to prudent banking and management controls and in accordance with the guidelines set forth in BC 216. Your board should review and approve, by resolution this purchase with due consideration of the limited marketability of this investment, foreign currency exposure risk, credit risk, overall investment portfolio maturity considerations, and yield considerations.

Categorizing a security as a "loan" for your bank's records and official reports is not acceptable. A security cannot simply be reported as a loan because it is convenient to do so. Report the holdings of New Zealand Government Stock in accordance with the instructions for the report of condition, i.e., schedule RC-B, item 3 "Other Securities". All investment holdings are subject to the investment limits found in 12 CFR 1 and 12 USC 24.

Malcolm P. Northam
Deputy Director
Investment Securities Division

* * *

11—November 26, 1986

Re: Insurance Company Debt Securities

This is in response to your November 13, 1986, letter in which you described a proposal by a large mutual life insurance company (the Company) to issue non-recourse debt securities (the Collateral Notes) fully secured under a collateral trust indenture, initially by treasury obligations of the United States, with the Company being able to substitute general obligations of state or political subdivisions thereof (the Government Securities). The Collateral Notes will be secured by the Government Securities whose interest and principal payments will at all times be sufficient to pay on a timely basis each payment of interest on and principal of the Collateral Notes when due. You requested our interpretation that under 12 U.S.C. § 24(7) the Collateral Notes may be purchased in unlimited amounts by national banks, state banks which are members of the Federal Reserve System and by banks located in the District of Columbia (collectively, Banks).

You described the transaction as follows. Pursuant to a collateral trust indenture qualified under the Trust Indenture Act of 1939, the Company proposes to issue the Collateral Notes to the public in an offering registered under the Securities Act of 1933. The Collateral Notes would at all times be fully secured by the pledge of the Government Securities to the Indenture Trustee. The Company would have the power to substitute as collateral general obligations of a state or political subdivision thereof rated in the top four categories by a national rating service as well as cash and U.S. Treasury bills so long as the match of interest payment and maturity dates is preserved. The Indenture Trustee, which will be a federally supervised bank or trust company, will hold a per

fected security interest in the Government Securities so that creditors of neither the Company nor of the Indenture Trustee can affect such security interest. The Indenture Trustee will have no power to make any substitution of collateral.

It is your opinion that under 12 CFR § 1.120(e) the Collateral Notes may be purchased in unlimited amounts by Banks. Under 12 U.S.C. 24(7), a bank may invest unlimited amounts in Type I securities, which include obligations "secured by an escrow fund consisting of obligations of the United States or general obligations of a state or a political subdivision thereof", if "the escrowed obligations produce interest earnings sufficient for the full and timely payment of interest on, and principal of, the obligation". 12 C.F.R. § 1.120(e).

Please be advised that where 12 C.F.R. § 1.1.20(e) refers to "interest earnings," we interpret it to mean "interest earnings and principal upon maturity."

The Collateral Notes will be secured by the Government Securities which will produce interest earnings and principal payments at maturity sufficient to pay on a timely basis all interest on and principal of the Collateral Notes when due. Under these circumstances, Banks may invest without limitation in the Collateral Notes since they constitute Type I securities.

In addition, the satisfaction of 12 C.F.R. § 1.120(e) requires the use of an escrow fund to hold the government obligations securing the obligation in question. You stated that a trust created pursuant to a collateral trust indenture is at least the equivalent of an escrow fund and consequently, is intended to be covered by 12 C.F.R. § 1.120(e). We concur with this conclusion.

Owen Carney
Director
Investment Securities Division

* * *

12—January 6, 1987

This is in response to your inquiry regarding appropriate accounting and reporting for the sale of tax-exempt bonds with a "put" which gives an affiliated bank buyer the right to return the securities at the buyer's option at various dates.

For regulatory reporting purposes the "sale" of portfolio holdings with this type of recourse arrangement are regarded as Repurchase Agreements (see FED letter dated March 7, 1983 attached). However a Repurchase Agreement with another bank is not subject to deposit reserves. We have previously ruled that the purchasing bank should regard the purchase of tax-exempt securities with a "put" to be a loan to the "selling" bank (see attached June 27, 1983 letter).

The bank's accountant is probably correct in asserting that the transaction may be a sale for tax purposes. He is also probably correct in recommending no gain or loss be recognized. However, we have seen a large number of similarly structured transactions and never had an accounting firm argue for sale treatment on the basis of SFAS NO. 80 and AICPA Issues Paper No. 86-2. We think he is wrong in his analysis but correct in his conclusion that losses need not be recognized.

We advise you to report the transaction as Securities Sold Under an Agreement to Repurchase.

Owen Carney
Director
Investment Securities Division

Attachments

March 7, 1983

William N. McDonough, Esq.
General Counsel
Federal Reserve Bank of Boston
Boston, Massachusetts 02106

Dear Bill:

In recent weeks, numerous questions have been raised with the staff of the Board's Legal Division concerning the application of Regulation D—Reserve Requirements of Depository Institutions (12 CFR Part 204) to transactions involving the sale of assets by depository institutions subject to an obligation on the part of the depository institution to either repurchase the asset or to guarantee the creditworthiness of the asset sold. The purpose of this letter is to summarize the positions that have been expressed by the Federal Reserve with respect to these transactions in order to assist you in providing advice to depository institutions in your District.

The transactions in question generally involve the sale of a loan or security subject to an unconditional agreement by the depository institution to repurchase the asset in the event of default by the obligor on the asset sold. Typically, the transaction involves the sale of one or more industrial development revenue bonds held in a bank's portfolio. The interest paid on such bonds usually is exempt from federal income taxes. Currently, many banks cannot profitably use tax exempt income. Thus, it is desirable for them to sell these assets to raise funds to invest in assets that generate taxable income.

Institutions have raised the question of whether sales of assets subject to obligations on the part of the bank to repurchase or which commit the bank to take the asset back, or otherwise "guarantee" the asset are exempt from the definition of "deposit" under section 204.2(a)(ii) of Regulation D, which provides that a "deposit" does not include "an obligation that represents a conditional, contingent, or endorser's liability." The Legal Division has always regarded the proceeds of a loan sale as a deposit for purposes of Regulation D when the depository institution makes a commitment to repurchase the loan in the event of the borrower's default. Such a commitment to take back the asset "sold" may be in this form of a standby letter of credit or other undertaking. In such a case, we would not regard the borrower's potential default as a contingency of the kind that would render the bank's liability on the repurchase agreement a contingent liabilty for purposes of section 204.2(a)(2)(ii). Accordingly, we believe that the proceeds of loan sales are not exempt from the definition of "deposit" within the meaning of this section if the seller has entered into a firm commitment or undertaking to repurchase the asset that had been sold.

It should be noted that, under Regulation D, a sale of an asset under the seller's endorsement or other guarantee that does not constitute a primary obligation of the seller would not necessarily give rise to the creation of a reservable deposit if the seller has not entered into an unconditional promise to repurchase in the event of default of the underlying asset. For purposes of Regulation D, the sale of the loan subject to an unconditional agreement to repurchase is properly regarded as a borrowing by the bank rather than a simple, unconditional sale. As such, we continue to be of the view that the bank's obligation to repurchase gives rise to the creation of a deposit pursuant to section 204.2(a)(1)(vii).

Issuance of a standby letter of credit ordinarily gives rise to a reservable liability when it is issued to support the issuing bank's assets that were previously held in the bank's portfolio and such assets are being sold to third parties. However, there is at least one exception to this general rule. For example, where assets held in portfolio for a very short period consist of securities pending sale in connection with the bank's underwriting activities, the letter of credit in the sale of securities may be viewed as part of the simple underwriting transaction and would not necessarily give rise to the creation of a deposit.

We understand that it is a normal practice for banks to carry securities on their books for brief periods as part of the underwriting process. Such brief delays in completing the underwriting would not affect our view of the transaction. However, if a member bank retains the securities for more than a brief period, it runs the risk of having the securities regarded as acquired for investment purposes. Of course, the point at which a security will be considered an asset sold out of the bank's portfolio will depend on all circumstances involved, including the normal practices of underwriting banks and the term of the security being sold.

On October 28, 1980, the Legal Division issued an opinion for a transaction involving the sale of industrial development revenue bonds (§2-520.11 of the *Federal Reserve Regulatory Service*.). Under the transaction described in that letter, a depository institution proposed to enter an arrangement in which an underwriter would either purchase industrial revenue bonds in the institution's possession and sell them to third parties as underwriter or market the bonds as agent of the institution. The selling institution would arrange for an insurance policy for the bonds sold that would provide that the insurance company would guarantee in full payment of principal and interest to the purchasers. The depository institution involved would pay the policy premium and indemnify the insurance company for any payments made under the policy. The purchasers of the bonds were not to be informed that the bonds were previously part of the portfolio of the depository institution. In that case, the Legal Division expressed the view that the nature of the selling depository institution's undertaking in the proposal was substantially identical to that of an endorser, provided that the third party purchasers were not advised of the nature of the selling institution's undertaking. The selling institution's undertaking did not flow directly to the third party purchaser of the bonds because, under the terms of the proposal, purchasers did not appear to rely on the seller's undertakings. Consequently, the Legal Division issued an opinion that the transaction would not give rise to the creation of a deposit liability under Regulations D and Q. The rationale of this opinion was that the existence of the insurance broke the nexus between the sale of the asset by the bank and the purchase of assets by the third party. Thus, the bank's obligation was not regarded as issued in connection with the raising of funds.

It should be noted that section 204.2(a)(2)(ix) of Regulation D provides that a "deposit" does not include "an obligation arising from the retention of no more than a 10 percent interest in a pool of conventional one- to four-family mortgages that are sold to third parties." This provision codifies Board rulings concerning the operation of certain mortgage-backed pass-through certificate programs. Under these programs, a bank sells a pool of mortgages and issues a letter of credit that assures complete and timely payments of principal and interest on the mortgages in a pool up to an amount equal to five to ten percent of the initial principal balance of the pool. Upon the default of any mortgages in the pool, the trustee for the mortgage pass-through certificate would draw a draft against the bank under a letter of credit to pay scheduled amounts of principal and interest to certificate

holders. In the case of a foreclosure the mortgage would be assigned to the bank. The Board ruled that this specific type of obligation did not constitute a deposit liability. However, the Board stated that the determination should be regarded as applicable only where a member bank's exposure on its standby letter of credit is limited to 10 percent or less of a pool of high-quality, conventional, single-family mortgages. The Board has indicated that it would regard securities to be deposits where a depository institution retains any liability in excess of 10 percent or where pools are based on other types of assets.

Questions have also been raised as to whether such obligations should be classified as time deposits or demand deposits for purposes of Regulation D. The classification of such deposits depends upon the time period that is imposed between the demand for payment from the bank and the time that such payment must be made by the bank. For example, if a loan is sold subject to the condition that a bank repurchase upon default of the obligor of the loan and the bank is required to reimburse the purchaser of the loan immediately upon demand for payment, then such an obligation would be regarded as a demand deposit. However, if the bank is obligated to reimburse the purchasing party only after receiving a notice of 14 days or more, then the obligation can be considered to be a time deposit.

I hope the foregoing is of assistance to you. Please let us know if there are any questions involving these transactions.

Gilbert T. Schwartz
Associate General Counsel

cc. General Counsels at all Federal Reserve Banks

June 27, 1983

This is in response to your letter of October 9, 1982, to the Regional Administrator of National Banks concerning a violation of 12 U.S.C. § 84 cited by National Bank Examiner *** in his Report of Examination of May 31, 1982. Your letter has been referred to me for reply. I apologize for the delay. As you know, this Office has issued new regulations implementing the recently amended section 84. *See* 48 Fed. Reg. 15844 (April 12, 1983). The transaction at issue here arose under prior law, and my discussion will refer to prior law and regulations. However, the result will be the same under the new law and new regulations.

The transaction discussed in the examination report and your letter concerns your bank's purchase of industrial development bonds (IDBs) from the *** (bank). Under the purchase agreement, your bank purchased from bank a group of IDBs. Some were purchased in their entirety; with others your bank purchased only a portion. The bond purchase agreement states the sale is without recourse against the selling bank. However, the bond purchase is accompanied by a "Bond Sale Option" agreement permitting your bank to require bank to repurchase the bonds. The terms of the resale option agreement permit your bank to resell the bonds at one hundred percent of the principal amount of the bonds at the time the option is exercised. The option agreement expires on January 3, 1985, unless exercised sooner. The option agreement also precludes exercise of the option after a default or event of default on the bonds involved.

The examiner concluded that, because of bank's agreement to repurchase the bonds, the transaction constituted an "obligation" of bank to your bank under 12 U.S.C. § 84. Since the amount of this obligation of bank was in excess of the limit on obligations of one borrower under section 84, the examiner cited your bank for the violation. In your letter you have disagreed with the examiner's conclusion. You stress, first, the fact that if the bonds had been bought directly from individual customers of bank (presumably the issuers of the bonds) then no violation would have occurred, since each bond is separately within your bank's customer lending limit. Second, you state that you could cancel the written option resale agreement and rely on a verbal commitment by bank to repurchase the bonds without creating a violation. You also request a legal opinion to assist you in working out a solution within the law to keep these bonds.

This Office has ruled that industrial development bonds will be treated as loans rather than investment securities, and therefore subject to the lending limits for loans prescribed by 12 U.S.C. § 84, when the bonds are of limited marketability. To qualify as an investment security, an IDB must be both of investment quality and marketable. *See* 12 C.F.R. § 1.3(b)(1983). There is a conclusive presumption that an IDB does not have an active market when the entire issue is owned by one holder or a small group of local holders. *See* OCC Staff Interpretive Letter No. 182 (March 10, 1981), *reprinted in* CCH Federal Banking Law Reporter ¶ 85,263.

From the information available to me, it appears the IDBs purchased by your bank from bank are of limited marketability and are treated as loans under these principles. As loans, their sale by bank and purchase by your bank are analyzed under the rules governing the sale of, or participation in, loans. Since these IDBs are treated as loans and not investment securities, the exemption from section 84 for the purchase or sale of securities under an agreement to resell or repurchase is not applicable. *See* I.R. 7.1131, 12 C.F.R. § 7.1131. Interpretive Ruling 7.1131 exempted such sales and purchases from the borrowing limits of former 12 U.S.C. § 82 and the lend-

ing limits of 12 U.S.C. § 84. But I.R. 7.1131 applies only to Type I investment securities as defined in 12 C.F.R. § 1.3(c).

As a general rule, a true sale of a loan, or a participation in a loan, does not create a borrowing on the part of the selling bank or a lending on the part of the purchasing bank. However, in order for the sale to constitute a true sale, and not a borrowing-lending transaction, I.R. 7.1135, 12 C.F.R. § 7. requires that the parties share the risk of loss. When this risk-sharing is not definitively present, the arrangement loses its character as a sale and becomes a borrowing-lending transaction. An option allowing the purchaser to require the seller to repurchase the IDBs upon demand may in practice operate as a device to negate the required risk-sharing. The clause in your bond sale option agreement preventing exercise of the resale option after a default or event of default does not provide the risk-sharing required by the Ruling because, for example, it would not prevent resale in case of deterioration of the issuer's creditworthiness but prior to actual default. Pursuant to your option, you could put these loans back to bank at your choice. Consequently, bank has not effectively sold or participated out these loans. The transaction is not a true sale or participation for either bank or your bank.

Similarly, under another line of reasoning enunciated in this Office's Interpretive Rulings, a sale of a loan or security (other than a Type I investment security) under a fixed repurchase/resale agreement (that is, one that is a definite commitment at the end of a fixed period and not merely an option) is treated as a borrowing-lending transaction. *See* I.R. 7.7519, 12 C.F.R. § 7.7519. *See also* 12 C.F.R. § 32.103(b) (48 Fed. Reg. 15858) (rule under amended § 84 restating current interpretation). The fact that the repurchase/resale agreement here is at the purchaser's option rather than for a stated fixed period does not alter the result. For the duration of the option, the selling bank has a potential liability to "repay," as it were, and the purchasing bank has the corresponding loan to the selling bank.

For these reasons, in my opinion, the Bond Purchase Agreement, together with the Bond Sale Option, constitute a borrowing-lending transaction between bank and your bank for the duration of the option. The lending limit of 12 U.S.C. § 84 therefore applies to the transaction. Please note, too, that a verbal buy-back agreement or even a customary course of dealing between the parties would be treated the same as a written buy-back option or repurchase agreement.

As you also noted, if these IDBs were purchased directly by your bank from the issuers, no violation would have resulted since no combining would have been required and each IDB separately is within the bank's lending limit. Your statement is correct, but it does not alleviate the violation under consideration here, because the loan cited as a violation is the lending transaction to bank, not the individual obligations of the IDB issuers.

The bank may, after careful evaluation, decide to terminate the "Bond Sale Option," in which case the violation will have been corrected. However, the bank is cautioned to exercise prudence and to have due regard for safety and soundness considerations.

I hope this has been responsive to your inquiry and will assist you in correcting the cited violation. If you have further questions, please contact the Regional Counsel in ***.

Howard J. Finkelstein
Attorney
Legal Advisory Services Division

* * *

Mergers—January 1 to March 31, 1987

Mergers consummated involving two or more operating banks.

CITIZENS AND SOUTHERN NATIONAL BANK OF FLORIDA,
Fort Lauderdale, Florida, and Citizens and Southern National Bank of Sarasota, Sarasota, Florida, and Citizens and Southern Bank of Brevard, Melbourne, Florida, and Citizens and Southern Bank of Manatee County, Palmetto, Florida, and Citizens and Southern Bank of Orlando, Orlando, Florida, and Citizens and Southern Bank of Pasco County, Pasco County, Florida, and Citizens and Southern Bank of Tampa, Tampa, Florida, and Citizens and Southern National Bank of Port Charlotte, Port Charlotte, Florida, and Citizens and Southern National Bank of Collier County, Naples, Florida, and Citizens and Southern National Bank of Lee County, Fort Myers, Florida, and Citizens and Southern National Bank of St. Petersburg, St. Petersburg, Florida

Names of banks and type of transaction	Total assets
Citizens and Southern National Bank of Florida, Fort Lauderdale, Florida (14376), with	$ 962,314,000
and Citizens and Southern National Bank of Sarasota, Sarasota, Florida (15107), with	412,449,000
and Citizens and Southern Bank of Brevard, Melbourne, Florida, with	122,677,000
and Citizens and Southern Bank of Manatee County, Palmetto, Florida, with	154,563,000
and Citizens and Southern Bank of Orlando, Orlando, Florida, with	92,906,000
and Citizens and Southern Bank of Pasco County, Pasco County, Florida, with	65,658,000
and Citizens and Southern Bank of Tampa, Tampa, Florida, with	348,219,000
and Citizens and Southern National Bank of Port Charlotte, Port Charlotte, Florida (16800), with	62,684,000
and Citizens and Southern National Bank of Collier County, Naples, Florida (14770), with	338,975,000
and Citizens and Southern National Bank of Lee County, Fort Myers, Florida (15666), with	852,390,000
and Citizens and Southern National Bank of St. Petersburg, St. Petersburg, Florida (15507), with	771,328,000
merged January 1, 1987, under charter and title of Citizens and Southern National Bank of Fort Lauderdale, Fort Lauderdale, Florida. The merged bank at date of merger had	4,184,163,000

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CITIZENS AND SOUTHERN NATIONAL BANK OF FORT LAUDERDALE,
Fort Lauderdale, Florida, and Bank of the Islands, Sanibel-Captiva, Sanibel, Florida, and First National Bank, Winter Park, Winter Park, Florida, and Community National Bank, Osceola County, Kissimmee, Florida, and First National Bank Seminole County, Longwood, Florida

Names of banks and type of transaction	Total assets
Bank of the Islands, Sanibel-Captiva, Sanibel, Florida, with	$ 103,545,000
and First National Bank, Winter Park, Winter Park, Florida (16212), with	237,613,000
and Community National Bank, Osceola County, Kissimmee, Florida (18215), with	17,149,000
and First National Bank, Seminole County, Longwood, Florida (20294), with	15,700,000
and Citizens and Southern National Bank of Fort Lauderdale, Fort Lauderdale, Florida (14376), with	4,184,163,000
merged January 1, 1987, under charter and title of the latter. The merged bank at date of merger had	4,558,170,000

* * *

FIRST OF AMERICA BANK-MICHIGAN, NATIONAL ASSOCIATION,
Kalamazoo, Michigan, and First of America Bank-Grand Rapids, National Association, Grand Rapids, Michigan

Names of banks and type of transaction	Total assets
First of America Bank-Michigan, National Association, Kalamazoo, Michigan (191), with	$816,151,000
and First of America Bank-Grand Rapids, National Association, Grand Rapids, Michigan (16296), with	39,240,000
merged January 1, 1987, under charter and title of the former. The merged bank at date of merger had	855,391,000

* * *

FIRST NATIONAL BANK OF ASKOV,
Askov, Minnesota, and Sandstone State Bank, Sandstone, Minnesota

Names of banks and type of transaction	Total assets
First National Bank of Askov, Askov, Minnesota (16871), with	$11,275,000
and Sandstone State Bank, Sandstone, Minnesota, with	11,903,000
merged January 1, 1987, under charter of the former and title of "First National Bank of North Pine County." The merged bank at date of merger had	23,178,000

* * *

FIRST NATIONAL BANK OF BELLEVILLE,
Belleville, Illinois, and Fairview Heights Community Bank, Fairview Heights, Illinois

Names of banks and type of transaction	*Total assets*
First National Bank of Belleville, Belleville, Illinois (2154), with	$399,201,000
and Fairview Heights Community Bank, Fairview Heights, Illinois, with	38,335,000
merged January 1, 1987, under charter and title of the former. The merged bank at date of merger had	437,536,000

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THE FIRST NATIONAL BANK OF WACONIA,
Waconia, Minnesota, and State Bank of Cologne, Cologne, Minnesota

Names of banks and type of transaction	*Total assets*
The First National Bank of Waconia, Waconia, Minnesota (11410), with	$51,914,000
and State Bank of Cologne, Cologne, Minnesota, with	16,423,000
merged January 1, 1987, under charter and title of the former. The merged bank at date of merger had	68,313,000

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HIBERNIA NATIONAL BANK IN NEW ORLEANS,
New Orleans, Louisiana, and Hibernia National Bank in Jefferson Parish, Metairie, Louisiana, and Hibernia National Bank in Baton Rouge, Baton Rouge, Louisiana, and Southwest National Bank of Lafayette, Lafayette, Louisiana, and Guaranty Bank & Trust Company, Alexandria, Louisiana

Names of banks and type of transaction	*Total assets*
Hibernia National Bank in New Orleans, New Orleans, Louisiana (13688), with	$2,526,029,000
and Hibernia National Bank in Jefferson Parish, Metairie, Louisiana (20517), with	215,536,000
and Hibernia National Bank in Baton Rouge, Baton Rouge, Louisiana (14462), with	742,853,000
and Southwest National Bank of Lafayette, Lafayette, Louisiana (16817), with	99,559,000
and Guaranty Bank & Trust Company, Alexandria, Louisiana, with	389,643,000
merged January 1, 1987, under charter and title of the Hibernia National Bank in New Orleans. The merged bank at date of merger had	3,887,365,000

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KANAWHA VALLEY BANK, N.A.,
Charleston, West Virginia, and One Valley National Bank of Hurricane, Hurricane, West Virginia

Names of banks and type of transaction	*Total assets*
Kanawha Valley Bank, N.A., Charleston, West Virginia (16433), with	$670,677,000
and One Valley National Bank of Hurricane, Hurricane, West Virginia (20550), with	4,735,000
merged January 1, 1987, under charter and title of the former. The merged bank at date of merger had	671,750,000

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THE MIAMI CITIZENS NATIONAL BANK & TRUST COMPANY,
Piqua, Ohio, and Heritage National Bank & Trust Co. Trust Company, Piqua, Ohio

Names of banks and type of transaction	*Total assets*
The Miami Citizens National Bank & Trust Company, Piqua, Ohio (1061), with	$135,045,000
and Heritage National Bank & Trust Co. Trust Company, Piqua, Ohio (1006), with	115,403,000
merged January 1, 1987, under charter of the former and title of "Citizens Heritage Bank, National Association." The merged bank at date of merger had	250,448,000

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THE MILLIKIN NATIONAL BANK OF DECATUR,
Decatur, Illinois, and Northtown Bank and Trust, Decatur, Illinois

Names of banks and type of transaction	Total assets
The Millikin National Bank of Decatur, Decatur, Illinois (5089), with	$250,292,000
and Northtown Bank and Trust, Decatur, Illinois, with	87,183,000
merged January 1, 1987, under charter and title of the former. The merged bank at date of merger had	337,475,000

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THE SECURITY NATIONAL BANK AND TRUST COMPANY OF NORMAN,
Norman, Oklahoma, and The Security National Bank and Trust Company of Norman, Norman, Oklahoma

Names of banks and type of transaction	Total assets
The Security National Bank and Trust Company of Norman, Norman, Oklahoma (12036), with	$198,716,000
and The Security National Bank and Trust Company of Norman, Norman, Oklahoma (21429), with	NA
merged January 8, 1987, under charter and title of the latter. The merged bank at date of merger had	

COMPTROLLER'S DECISION

On January 8, 1987, application was made to the Comptroller of the Currency to grant prior written approval for The Security National Bank and Trust Company of Norman, Norman, Oklahoma (Assuming Bank), to purchase certain assets and assume certain liabilities of The Security National Bank and Trust Company of Norman, Norman, Oklahoma (Security). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Security. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

Security was chartered as a national bank on November 12, 1921. The bank was declared insolvent by the Comptroller of the Currency on January 8, 1987, and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming bank by which the latter would purchase certain assets and assume certain liabilities of Security.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Norman community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Norman community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Security, as set forth in the agreement, is approved. The Comptroller further finds

that the failure of Security requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

The Assuming Bank is also granted fiduciary powers.

January 8, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

THE NATIONAL BANK OF CANTON,
Canton, Illinois, and State Bank of Cuba, Cuba, Illinois

Names of banks and type of transaction	*Total assets*
The National Bank of Canton, Canton, Illinois (13838), with	$84,336,000
and State Bank of Cuba, Cuba, Illinois, with	18,275,000
merged January 9, 1987, under charter and title of the former. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On January 9, 1987, application was made to the Comptroller of the Currency to grant prior written approval for National Bank of Canton, Canton, Illinois (Assuming Bank), to purchase certain assets and assume certain liabilities of State Bank of Cuba, Cuba, Illinois (State Bank). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of State Bank. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

State Bank of Cuba was declared insolvent by the Illinois State Banking Commissioner on January 9, 1987, and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of State Bank.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Cuba community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Cuba community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effects of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of State Bank, as set forth in the agreement, is approved. The Comptroller further finds that the failure of State Bank requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

January 9, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

THE FIRST NATIONAL BANK OF CLARION,
Clarion, Iowa, and Latimer Bank & Trust, Latimer, Iowa

Names of banks and type of transaction	*Total assets*
The First National Bank of Clarion, Clarion, Iowa (3796), with	$58,663,000
and Latimer Bank & Trust, Latimer, Iowa, with	21,523,000
merged January 15, 1987, under charter and title of the former. The merged bank at date of merger had	80,186,000

COMPTROLLER'S DECISION

On January 15, 1987, application was made to the Comptroller of the Currency to grant prior written approval for The First National Bank of Clarion, Clarion, Iowa (Assuming Bank), to purchase certain assets and assume certain liabilities of Latimer Bank & Trust, Latimer, Iowa (Latimer). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Latimer. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on January 14, 1987, Latimer had total assets of approximately $23 million. The bank was declared insolvent by the Iowa State Banking Commissioner on January 15, 1987, and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Latimer.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effets to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Latimer community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Latimer community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Latimer, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Latimer requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

January 15, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

THE FIRST NATIONAL BANK OF MAYSVILLE,
Maysville, Oklahoma, and The First National Bank of Rush Springs, Rush Springs, Oklahoma

Names of banks and type of transaction	*Total assets*
The First National Bank of Maysville, Maysville, Oklahoma (8999), with	$20,833,000
and The First National Bank of Rush Springs, Rush Springs, Oklahoma (8336), with	12,827,000
merged January 15, 1987, under charter of the former and title of "First National Bank." The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On January 15, 1987, application was made to the Comptroller of the Currency to grant prior written approval for The First National Bank of Maysville, Maysville, Oklahoma (Assuming Bank), to purchase certain assets and assume certain liabilities of The First National Bank of Rush Springs, Rush Springs, Oklahoma (FNB). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of FNB. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

FNB was chartered as a national bank on August 23, 1906, and at the close of business on January 14, 1987, had total assets of approximately $13 million. The bank was declared insolvent by the Comptroller of the Currency on January 15, 1987, and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of FNB.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Rush Springs community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Rush Springs community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of FNB, as set forth in the agreement, is approved. The Comptroller further finds that the failure of FNB requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

January 15, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

FIRST NATIONAL BANK AND TRUST COMPANY,
Frederick, Oklahoma, and National Bank of Frederick, Frederick, Oklahoma

Names of banks and type of transaction	*Total assets*
First National Bank and Trust Company, Frederick, Oklahoma (13760), with	$52,815,000
and National Bank of Frederick, Frederick, Oklahoma (14392), with	23,821,000
merged January 22, 1987, under charter and title of the former. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On January 22, 1987, application was made to the Comptroller of the Currency to grant prior written approval for First National Bank and Trust Company, Frederick, Oklahoma (Assuming Bank), to purchase certain assets and assume certain liabilities and to accept the transfer of insured deposits from National Bank of Frederick, Frederick, Oklahoma (NBF). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of NBF. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption and the insured deposit transfer immediately.

NBF was chartered as a national bank on October 30, 1937, and at the close of business on January 22, 1987, had total assets of approximately $24 million. The bank was declared insolvent by the Comptroller on January 22, 1987, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets, assume certain liabilities, and receive the transfer of insured deposits from NBF.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed transaction will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Frederick community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Frederick community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities, purchase certain assets and receive insured deposits from NBF, as set forth in the agreement, is approved. The Comptroller further finds that the failure of NBF requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

January 22, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

FIRST CHARTER NATIONAL BANK,
Concord, North Carolina, and Merchants & Farmers Bank, Landis, North Carolina

Names of banks and type of transaction	*Total assets*
First Charter National Bank, Concord, North Carolina (3903), with	$139,719,000
and Merchants & Farmers Bank, Landis, North Carolina, with	24,425,000
merged January 23, 1987, under charter and title of the former. The merged bank at date of merger had	164,144,000

COMPTROLLER'S DECISION

On September 26, 1986, application was made to the Office of the Comptroller of the Currency for prior authorization to merge Merchants & Farmers Bank, Landis, North Carolina (M&F) into First Charter National Bank, Concord, North Carolina (FCNB). This application was based on an agreement finalized between the proponents on September 24, 1986.

As of June 30, 1986, M&F, an independent bank, had total deposits of $23 million and operated one banking office. On the same date, FCNB had total deposits of $125 million and operated nine banking offices. FCNB is a wholly owned subsidiary of First Charter Corporation, a bank holding company headquartered in Concord, North Carolina.

The relevant geographic market for this proposal is the area in and around Landis, in southwestern Rowan County. It is from this area that M&F derives the bulk of its deposits. The nearest office of FCNB is six miles to the south in Kannapolis. Although some direct competition may be lost as a result of consummation of this transaction, it should not have an adverse effect on competition. In addition to the proponents, six other banks and six savings and loan associations have offices in the vicinity. The banks with offices near Landis include several of the state's largest financial institutions. The impact of the transaction is further lessened by the inclusion of thrifts in the competitive analysis. Thrifts were given full weight in the analysis because of their activities in this market. Therefore, due to the number and size of the other financial institutions in the area, consummation of this proposal should not have an adverse effect on competition.

The Bank Merger Act requires this Office to consider "...the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find that the financial and managerial resources of FCNB and M&F do not raise concerns that would cause the application to be disapproved. The future prospects of the resulting bank are considered satisfactory, as are the effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it will not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

December 23, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

SECURITY PACIFIC NATIONAL BANK,
Los Angeles, California, and First Sierra Bank, Mammoth Lakes, California

Names of banks and type of transaction	*Total assets*
First Sierra Bank, Mammoth Lakes, California, with	NA
and Security Pacific National Bank, Los Angeles, California (2491), with	$47,582,702,000
merged January 23, 1987, under charter and title of the latter. The merged bank at date of merger had	

COMPTROLLER'S DECISION

On January 23, 1987, application was made to the Comptroller of the Currency to grant prior written approval for Security Pacific National Bank, Los Angeles, California (Assuming Bank), to purchase certain assets and assume certain liabilities of First Sierra Bank, Bishop, California (FSB). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of FSB. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on January 23, 1987, FSB had total assets of approximately $22 million. The bank was declared insolvent on January 23, 1987, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets, assume certain liabilities, and receive the transfer of insured deposits from FSB.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive efects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transaction and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Bishop community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Bishop community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of FSB, as set forth in the agreement, is approved. The Comptroller further finds that the failure of FSB requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

January 23, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

SECURITY PACIFIC NATIONAL BANK,
Los Angeles, California, and Diablo Bank, Danville, California

Names of banks and type of transaction	Total assets
Diablo Bank, Danville, California, with	$ 110,000,000
and Security Pacific National Bank, Los Angeles, California (2491), with	44,297,000,000
merged January 28, 1987, under charter and title of the latter. The merged bank at date of merger had	44,407,000,000

COMPTROLLER'S DECISION

On November 24, 1986, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), for prior authorization to merge Diablo Bank, Danville, California (Diablo), into Security Pacific National Bank, Los Angeles, California (SPNB). The application is based on an agreement finalized between Diablo and SPNB on September 24, 1986.

SPNB, a subsidiary of Security Pacific Corporation, had total assets of $44.3 billion and total deposits of $32.5 billion as of June 30, 1986, and operated some 640 banking offices mostly concentrated in Southern California.

Diablo had total assets of $110 million and total deposits of $103 million as of June 30, 1986, and operated three offices in Alamo, Danville and San Ramon, Contra Costa County, California.

The relevant geographic market for this proposal consists of the southwestern portion of Contra Costa County known as the San Ramon Valley. This is the area from which Diablo derives the bulk of its deposits and loans. Diablo has the fifth largest and SPNB has the tenth largest share of the market's deposits out of 20 financial institutions in the market. The resulting bank will become the third largest financial institution in the market. SPNB has three offices in the market and competes directly with Diablo in the cities of Danville and San Ramon. Despite the elimination of this direct competition through consummation of this merger, the market will continue to remain highly competitive with 7 commercial banks and 12 savings and loan associations offering banking services through 37 offices in the market. Consequently, consummation of this proposal will not have a significantly adverse effect on competition.

The Bank Merger Act requires this Office to consider "...the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find that the financial and managerial resources of both banks do not raise concerns that would cause the application to be disapproved. The future prospects of the resulting bank are considered satisfactory, as are the effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it will not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

January 28, 1987

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE BANK, NATIONAL ASSOCIATION,
McAlester, Oklahoma, and Peoples State Bank & Trust Company, Holdenville, Oklahoma

Names of banks and type of transaction	*Total assets*
The Bank, National Association, McAlester, Oklahoma (13770), with	$125,629,000
and Peoples State Bank & Trust Company, Holdenville, Oklahoma, with	52,815,000
merged January 29, 1987, under charter and title of the former. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On January 29, 1987, application was made to the Comptroller of the Currency to grant prior written approval for The Bank, National Association, McAlester (Assuming Bank), to acquire certain assets and assume certain liabilities of Peoples State Bank, Holdenville, Oklahoma (Peoples). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Peoples. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business in January 29, 1987, Peoples was declared insolvent by the Oklahoma Banking Commissioner and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Peoples.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Holdenville area. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Holdenville community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Peoples, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Peoples requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

Assuming bank is also authorized to operate the Office of Peoples as a branch.

January 29, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

LAFAYETTE NATIONAL BANK,
Lafayette, Indiana, and The Farmers National Bank of Remington, Remington, Indiana

Names of banks and type of transaction	Total assets
Lafayette National Bank, Lafayette, Indiana (11355), with	$368,232,000
and The Farmers National Bank of Remington, Remington, Indiana (11355), with	34,717,000
merged January 29, 1987, under charter and title of the former. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On January 29, 1987, application was made to the Comptroller of the Currency to grant prior written approval for Lafayette National Bank, Lafayette, Indiana (Assuming Bank), to acquire certain assets and assume certain liabilities of The Farmers National Bank of Remington, Remington, Indiana (Farmers). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Farmers. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on January 29, 1987, Farmers was declared insolvent by the Comptroller of the Currency and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Farmers.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Remington area. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Remington community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Farmers, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Farmers requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

Assuming Bank is also authorized to operate the offices of Farmers as branches.

January 29, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

TEXAS COMMERCE BANK, NATIONAL ASSOCIATION,
Houston, Texas, and Montgomery County Bank, National Association, The Woodlands, Texas

Names of banks and type of transaction	*Total assets*
Texas Commerce Bank, National Association, Houston, Texas (10225), with	$11,508,704,000
and Montgomery County Bank, National Association, The Woodlands, Texas, (15970), with	48,494,000
merged January 29, 1987, under charter and title of the former. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On January 29, 1987, application was made to the Comptroller of the Currency to grant prior written approval for Texas Commerce Bank National Association, Houston, Texas (Assuming Bank), to acquire certain assets and assume certain liabilities of Montgomery County Bank, National Association, Montgomery County, Texas (Montgomery County). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Montgomery County. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on January 29, 1987, Montgomery County was declared insolvent by the Comptroller of the Currency and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Montgomery County.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Montgomery County area. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Montgomery County area.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Montgomery County, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Montgomery County requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

Assuming Bank is also authorized to operate the offices of Montgomery County as branches.

January 29, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION,
Salt Lake City, Utah, and First Security State Bank, Salt Lake City, Utah

Names of banks and type of transaction	*Total assets*
First Security Bank of Utah, National Association, Salt Lake City, Utah (2597), with	$2,814,866,000
and First Security State Bank, Salt Lake City, Utah, with	26,940,000
merged January 30, 1987, under charter and title of the former and located in Ogden. The merged bank at date of merger had	2,840,585,000

* * *

SIDNEY NATIONAL BANK,
Sidney, Nebraska, and The Sioux National Bank of Harrison, Harrison, Nebraska

Names of banks and type of transaction	*Total assets*
Sidney National Bank, Sidney, Nebraska (14677), with	$15,408,000
and The Sioux National Bank of Harrison, Harrison, Nebraska (12552), with	30,521,000
merged January 30, 1987, under charter and title of the former. The merged bank at date of merger had	45,929,000

* * *

UNITED BANK OF ILLINOIS, NATIONAL ASSOCIATION,
Rockford, Illinois, and United Bank of Loves Park, Loves Park, Illinois, and United Bank of Southgate, Rockford, Illinois

Names of banks and type of transaction	*Total assets*
United Bank of Loves Park, Loves Park, Illinois, with	$ 79,960,000
and United Bank of Southgate, Rockford, Illinois, with	37,711,000
and United Bank of Illinois, National Association, Rockford, Illinois (14533), with	143,550,000
merged January 30, 1987, under charter and title of the latter. The merged bank at date of merger had	261,221,000

* * *

SUN BANK/DESOTO COUNTY, NATIONAL ASSOCIATION,
Arcadia, Florida, and Sun Bank/Highlands County, National Association, Avon Park, Florida, and Sun Bank/Okeechobee, Okeechobee, Florida

Names of banks and type of transaction	*Total assets*
Sun Bank/DeSoto County, National Association, Arcadia, Florida (8728), with	$ 49,052,000
and Sun Bank/Highlands County, National Association, Avon Park, Florida (17858), with	47,462,000
and Sun Bank/Okeechobee, Okeechobee, Florida, with	35,077,000
merged January 31, 1987, under charter 8728 and with the title "Sun Bank/South Central Florida, National Association" in Highlands County. The merged bank at date of merger had	131,591,000

* * *

FIRST UNION NATIONAL BANK OF FLORIDA,
Jacksonville, Florida, and Collier Bank, Naples, Florida

Names of banks and type of transaction	*Total assets*
First Union National Bank of Florida, Jacksonville, Florida (6888), with	$6,296,574,000
and Collier Bank, Naples, Florida, with	38,812,000
merged February 1, 1987, under charter and title of the former. The merged bank at date of merger had	6,427,144,000

COMPTROLLER'S DECISION

On October 1, 1986, application was made to the Office of the Comptroller of the Currency for prior authorization to merge Collier Bank, Naples, Florida (hereinafter "Collier") with and into First Union National Bank of Florida, Jacksonville, Florida (hereinafter, "First Union-Florida"). This application was made pursuant to an Agreement

finalized between the proponents on September 17, 1986.

As of June 30, 1986, Collier, an independent bank, had total deposits of $35 million in two offices. On the same date, First Union-Florida held total deposits of $5.1 billion and operated 185 offices throughout the state. First is a wholly owned subsidiary of First Union Corporation, Charlotte, North Carolina.

The Office has reviewed the competitive effects of this proposal by using the Office's standard procedures for determining whether a merger clearly has minimal or no adverse competitive effects. The Office finds that the proposal satisfies the Office's criteria for a merger that clearly has no or minimal adverse competitive effects.

The Bank Merger Act requires this Office to consider "...the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served.'" We find that the financial and managerial resources of both banks do not raise concerns that would cause the application to be disapproved. The future prospects of the combined entity are considered favorable and the resulting bank is expected to meet the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it will not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

November 12, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST UNION NATIONAL BANK OF FLORIDA, Jacksonville, Florida, and Security National Bank, Fort Myers, Florida

Names of banks and type of transaction	*Total assets*
First Union National Bank of Florida, Jacksonville, Florida (6888), with	$6,296,574,000
and Security National Bank, Fort Myers, Florida (17971), with	52,811,000
merged February 1, 1987, under charter and title of the former. The merged bank at date of merger had	6,472,144,000

COMPTROLLER'S DECISION

On October 1, 1986, application was made to the Office of the Comptroller of the Currency for prior authorization to merge Security National Bank, Fort Myers, Florida (Security) with and into First Union National Bank of Florida, Jacksonville, Florida (First Union-Florida). This application was made pursuant to an Agreement finalized between the proponents on August 19, 1986.

As of June 30, 1986, Security, a wholly owned subsidiary of Edison Banks, Inc., had total deposits of $49 million and operated one office. On the same date, First Union-Florida held total deposits of $5.1 billion and operated 185 offices throughout the state. First is a wholly owned subsidiary of First Union Corporation, Charlotte, North Carolina.

The Office has reviewed the competitive effects of this proposal by using the Office's standard procedures for determining whether a merger clearly has minimal or no adverse competitive effects. The Office finds that the proposal satisfies the Office's criteria for a merger that clearly has no or minimal adverse competitive effects.

The Bank Merger Act requires this Office to consider "...the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find that the financial and managerial resources of both banks do not raise concerns that would cause the application to be disapproved. The future prospects of the combined entity are considered favorable and the resulting bank is expected to meet the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory

responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved

November 12, 1986

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

UNION BOULEVARD NATIONAL BANK,
Wichita, Kansas, and Boulevard State Bank, Wichita, Kansas

Names of banks and type of transaction	*Total assets*
Union Boulevard National Bank, Wichita, Kansas (21448), with	NA
and Boulevard State Bank, Wichita, Kansas, with	$102,271,000
merged February 5, 1987, under charter and title of the former. The merged bank at date of merger had	

COMPTROLLER'S DECISION

On February 5, 1987, application was made to the Comptroller of the Currency to grant prior written approval for Union Boulevard National Bank, Wichita, Kansas (Assuming Bank), to purchase certain assets and assume certain liabilities of Boulevard State Bank, Wichita, Kansas (Boulevard). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Boulevard. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on February 4, 1987, Boulevard had total assets of approximately $90 million. The bank was declared insolvent by the Kansas State Banking Commissioner on February 5, 1987, and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Boulevard.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Wichita community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Wichita community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Boulevard, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Boulevard requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice,

dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

February 5, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

THE WOMEN'S BANK, NATIONAL ASSOCIATION, Denver, Colorado, and Market National Bank, Denver, Colorado

Names of banks and type of transaction	*Total assets*
The Women's Bank, National Association, Denver, Colorado (16723), with	$53,664,000
and Market National Bank, Denver, Colorado (17558), with	8,724,000
merged February 5, 1987, under charter and title of the former. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On February 5, 1987, application was made to the Comptroller of the Currency to grant prior written approval for The Women's Bank, National Association, Denver, Colorado (Assuming Bank), to purchase certain assets and assume certain liabilities and to accept the transfer of insured deposits from Market National Bank, Denver, Colorado (Market). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Market. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

Market was chartered as a national bank on December 27, 1982, and at the close of business on February 4, 1987, had total assets of approximately $8 million. The bank was declared insolvent by the Comptroller on February 5, 1987, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets, assume certain liabilities, and receive the transfer of insured deposits from Market.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Denver community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Denver community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Market, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Market requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

February 5, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

BANK SOUTH, NATIONAL ASSOCIATION,
Atlanta, Georgia, and Bank of Barrow, Winder, Georgia

Names of banks and type of transaction	Total assets
Bank South, National Association, Atlanta, Georgia (9617), with	$2,672,918,000
and Bank of Barrow, Winder, Georgia with	98,538,000
merged February 9, 1987, under charter and title of the former. The merged bank at date of merger had	2,771,456,000

* * *

THE FIRST NATIONAL BANK OF SEILING,
Seiling, Oklahoma, and Community Bank, Seiling, Oklahoma

Names of banks and type of transaction	Total assets
The First National Bank of Seiling, Seiling, Oklahoma (8615), with	$47,308,000
and Community Bank, Seiling, Oklahoma, with	5,144,000
merged February 11, 1987. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On February 11, 1987, application was made to the Comptroller of the Currency to grant prior written approval for The First National Bank of Seiling, Seiling, Oklahoma (Assuming Bank), to acquire certain assets and assume certain liabilities of the Community Bank, Seiling, Oklahoma (Community). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Community. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on February 11, 1987, Community was declared insolvent by the Oklahoma Commissioner of Banking and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Community.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Seiling area. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Seiling community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Community as set forth in the agreement, is approved. The Comptroller further finds that the failure of Community requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

February 11, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General

* * *

NCNB NATIONAL BANK OF FLORIDA,
Tampa, Florida, and The County Bank, Palmetto, Florida

Names of banks and type of transaction	*Total assets*
NCNB National Bank of Florida, Tampa, Florida (17775), with	$9,301,835,000
and The County Bank, Palmetto, Florida, with	59,800,000
merged February 13, 1987, under charter and title of the former. The merged bank at date of merger had	9,465,835,000

COMPTROLLER'S DECISION

On February 13, 1987, application was made to the Comptroller of the Currency to grant prior written approval for NCNB National Bank of Florida, Tampa, Florida (Assuming Bank), to acquire certain assets and assume certain liabilities of The County Bank, Palmetto, Florida (County). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of County. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on February 13, 1987, County was declared insolvent by Florida authorities and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of County.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Palmetto area. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Palmetto community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of County as set forth in the agreement, is approved. The Comptroller further finds that the failure of County requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

February 13, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

FIRST GEORGIA BANK,
Atlanta, Georgia, and First Union National Bank of Georgia, Clarkston, Georgia

Names of banks and type of transaction	*Total assets*
First Georgia Bank, Atlanta, Georgia with	$924,263,000
and First Union National Bank of Georgia, Clarkston, Georgia (21161), with	45,547,000
merged February 17, 1987, under charter and title of the latter. The merged bank at date of merger had	969,810,000

* * *

THE FIRST NATIONAL BANK OF ATMORE,
Atmore, Alabama, and First State Bank of Atmore, Atmore, Alabama

Names of banks and type of transaction	Total assets
First State Bank of Atmore, Atmore, Alabama, with	$11,770,000
and The First National Bank of Atmore, Atmore, Alabama (10697), with	69,318,000
merged February 19, 1987, under charter and title of the latter. The merged bank at date of merger had	81,088,000

COMPTROLLER'S DECISION

On February 19, 1987, application was made to the Comptroller of the Currency to grant prior written approval for The First National Bank of Atmore, Atmore, Alabama (hereinafter, Assuming Bank), to purchase certain assets and assume certain liabilities of First State Bank of Atmore, Atmore, Alabama (First State Bank). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of First State Bank. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

First State Bank was declared insolvent by the Alabama Superintendent of Banks on February 19, 1987, and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of First State Bank.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Atmore community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Atmore community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of First State Bank, as set forth in the agreement, is approved. The Comptroller further finds that the failure of First State Bank requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

February 19, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

HIBERNIA NATIONAL BANK,
New Orleans, Louisiana, and Hub City Bank and Trust Company, Lafayette, Louisiana

Names of banks and type of transaction	*Total assets*
Hibernia National Bank, New Orleans, Louisiana (13688), with	$2,813,793,000
and Hub City Bank and Trust Company, Lafayette, Louisiana, with	37,978,000
merged February 20, 1987, under charter and title of the former. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On February 20, 1987, application was made to the Comptroller of the Currency to grant prior written approval for Hibernia National Bank in New Orleans, New Orleans, Louisiana (Assuming Bank), to purchase certain assets and assume certain liabilities of Hub City Bank and Trust Company, Lafayette, Louisiana (Hub City Bank). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Hub City Bank. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

Hub City Bank was declared insolvent by the Louisiana State Banking Commissioner on February 20, 1987, and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Hub City Bank.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Lafayette community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Lafayette community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Hub City Bank, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Hub City Bank requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

The Assuming Bank is also authorized to operate Hub City Bank's four banking offices as branches.

February 20, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

FIRST NATIONAL BANK OF JOHNSTON CO.,
Tishomingo, Oklahoma, and American National Bank, Durant, Oklahoma

Names of banks and type of transaction	*Total assets*
First National Bank of Johnston Co., Tishomingo, Oklahoma (18487), with	$43,068,000
and American National Bank, Durant, Oklahoma (17438), with	10,947,000
merged February 25, 1987, under charter of the former and title "First American National Bank." The merged bank at date of merger had	54,119,000

COMPTROLLER'S DECISION

On September 17, 1986, application was made to the Office of the Comptroller of the Currency for prior authorization to merge American National Bank, Durant, Oklahoma (ANB), into First National Bank of Johnston County, Tishomingo, Oklahoma (FNB). This application was based on an agreement completed between the proponents on September 15, 1986.

As of June 30, 1986, ANB, an independent bank, had total deposits of approximately $11 million and operated one office. On the same date, FNB, also an independent bank, had total deposits of approximately $38 million and operated 2 offices.

The OCC has reviewed the competitive effects of this proposal by using its standard procedures for determining whether a merger clearly has minimal or no adverse competitive effects. The Office finds that the proposal satisfies its criteria for a merger that clearly has no or minimal adverse competitive effects.

The Bank Merger Act requires this Office to consider ". . .the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find that the financial and managerial resources of ANB and FNB do not raise concerns that would cause the application to be disapproved. The future prospects of the combined entity are considered satisfactory and the resulting bank is expected to meet the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities has revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low- and moderate-income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not lessen significantly competition in any relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

February 18, 1987

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST NATIONAL BANK OF CROSBY,
Crosby, Texas, and First National Bank of Crosby, Crosby, Texas

Names of banks and type of transaction	*Total assets*
First National Bank of Crosby, Crosby, Texas (21466), with	NA
and First National Bank of Crosby, Crosby, Texas (17627), with	$7,797,000
merged February 26, 1987 under charter and title of the former. The merged bank at date of merger had	

COMPTROLLER'S DECISION

On February 26, 1987, application was made to the Comptroller of the Currency to grant prior written approval for First National Bank of Crosby, Crosby, Texas (Assuming Bank), to purchase certain assets and assume certain liabilities of First National Bank of Crosby, Crosby, Texas (FNB). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of FNB. For the reasons set forth below, the application is

hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

On February 26, 1987, due to the financial condition of FNB, the Comptroller of the Currency closed FNB and appointed the FDIC as receiver on the same date. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities, including all deposit liabilities of FNB.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Crosby community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of FNB, as set forth in the agreement, is approved. The Comptroller further finds that the failure of FNB requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

February 26, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

FIRST WISCONSIN NATIONAL BANK OF MILWAUKEE,
Milwaukee, Wisconsin, and First National Bank, Glendale, Wisconsin

Names of banks and type of transaction	Total assets
First Wisconsin National Bank of Milwaukee, Milwaukee, Wisconsin (64), with	$3,763,803,000
and First National Bank, Glendale, Wisconsin (15325), with	83,622,000
merged February 27, 1987, under charter and title of the former. The merged bank at date of merger had	3,845,107,000

* * *

THE NATIONAL BANK OF CANTON,
Canton, Illinois, and The Lewistown Bank, Lewistown, Illinois

Names of banks and type of transaction	Total assets
The Lewistown Bank, Lewistown, Illinois, with	$15,254,000
and The National Bank of Canton, Canton, Illinois (13838), with	84,336,000
merged February 27, 1987, under charter and title of the latter. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On February 27, 1987, application was made to the Comptroller of the Currency to grant prior written approval for The National Bank of Canton, Canton, Illinois (Assuming Bank), to purchase certain assets and assume cer-

tain liabilities of The Lewistown Bank, Lewistown, Illinois (LB). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of LB. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

On February 27, 1987, due to the financial condition of LB, the Illinois State Bank Commissioner closed LB and appointed the FDIC as receiver on the same date. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabiliies, including all deposit liabilities of LB.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Lewistown community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of LB, as set forth in the agreement, is approved. The Comptroller further finds that the failure of LB requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

February 27, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

GAINER BANK, NATIONAL ASSOCIATION,
Gary, Indiana, and Hoosier State Bank of Indiana, Hammond, Indiana

Names of banks and type of transaction	*Total assets*
Gainer Bank, National Association, Gary, Indiana (14468), with	$666,568,000
and Hoosier State Bank of Indiana, Hammond, Indiana, with	128,892,000
merged February 28, 1987, under charter and title of the former. The merged bank at date of merger had	793,931,000

* * *

SUN BANK/WEST FLORIDA, NATIONAL ASSOCIATION,
Pensacola, Florida, and Sun First National Bank of DeFuniak Springs, DeFuniak Springs, Florida

Names of banks and type of transaction	*Total assets*
Sun Bank/West Florida, National Association, Pensacola, Florida (14909), with	$164,918,000
and Sun First National Bank of DeFuniak Springs, DeFuniak Springs, Florida (7404), with	37,622,000
merged March 1, 1987, under charter and title of the former. The merged bank at date of merger had	202,540,000

* * *

MICHIGAN NATIONAL BANK OF DETROIT,

Farmington Hills, Michigan, and Michigan National Bank-Farmington, Farmington Hills, Michigan, and Michigan National Bank, Lansing, Michigan, and Michigan National Bank-Ann Arbor, Ann Arbor, Michigan, and Michigan National Bank-Central, Wyoming, Michigan, and Michigan National Bank of Macomb, Warren, Michigan, and Michigan National Bank Mid Michigan, Flint, Michigan, and Michigan National Bank-North Metro, Troy, Michigan, and Michigan National Bank-Oakland, Southfield, Michigan, and Michigan National Bank-South Metro, Dearborn, Michigan, and Michigan National Bank-Sterling, Sterling Heights, Michigan, and Michigan National Bank-Valley, Midland, Michigan, and Michigan National Bank-West, Kalamazoo, Michigan, and Michigan National Bank-West Metro, Livonia, Michigan, and Michigan National Bank-West Oakland, Novi, Michigan, and Michigan Bank-Port Huron, Port Huron, Michigan

Names of banks and type of transaction	*Total assets*
Michigan National Bank of Detroit, Farmington Hills, Michigan (14948), with	$2,000,716,000
and Michigan National Bank-Farmington, Farmington Hills, Michigan (16660), with	53,474,000
and Michigan National Bank, Lansing, Michigan (14032), with	1,715,158,000
and Michigan National Bank-Ann Arbor, Ann Arbor, Michigan (16785), with	60,770,000
and Michigan National Bank-Central, Wyoming, Michigan (16037), with	329,295,000
and Michigan National Bank of Macomb, Warren, Michigan (16387), with	220,950,000
and Michigan National Bank-Mid Michigan, Flint, Michigan (16234), with	321,558,000
and Michigan National Bank-North Metro, Troy, Michigan, (15008), with	419,519,000
and Michigan National Bank-Oakland, Southfield, Michigan (15527), with	507,220,000
and Michigan National Bank-South Metro, Dearborn, Michigan (16974), with	245,842,000
and Michigan National Bank-Sterling, Sterling Heights, Michigan (16707), with	86,387,000
and Michigan National Bank-Valley, Midland, Michigan (15403), with	186,521,000
and Michigan National Bank-West, Kalamazoo, Michigan (16274), with	74,112,000
and Michigan National Bank-West Metro, Livonia, Michigan (15444), with	349,679,000
and Michigan National Bank-West Oakland, Novi, Michigan (15899), with	88,683,000
and Michigan Bank-Port Huron, Port Huron, Michigan, with	335,869,000
merged March 2, 1987, under charter 16660 and title "Michigan National Bank". The merged bank at date of merger had	7,309,636,000

* * *

FIRST EASTERN BANK, NATIONAL ASSOCIATION,

Wilkes-Barre, Pennsylvania, and Peoples Bank of Nanticoke, Nanticoke, Pennsylvania

Names of banks and type of transaction	*Total assets*
First Eastern Bank, National Association, Wilkes-Barre, Pennsylvania (30), with	$1,477,967,000
and Peoples Bank of Nanticoke, Nanticoke, Pennsylvania, with	21,779,000
merged March 4, 1987, under charter and title of the former. The merged bank at date of merger had	1,501,190,000

COMPTROLLER'S DECISION

On October 31, 1986, application was made to the Office of the Comptroller of the Currency for prior authorization to merge Peoples Bank of Nanticoke, Nanticoke, Pennsylvania (PBN) with and into First Eastern Bank, National Association, Wilkes-Barre, Pennsylvania (First Eastern). This application was made pursuant to an Agreement finalized between the proponents on July 17, 1986.

As of June 30, 1986, PNB, an independent bank, held total deposits of $21 million in three offices. As of the same date, First Eastern held total deposits of $1.2 billion in 40 offices. First Eastern is a subsidiary of First Eastern Corp., a one-bank holding company.

The relevant geographic market for this proposal is the town of Nanticoke and adjacent portions of Luzerne County approximately 8 miles west of Wilkes-Barre All of PNB's offices are situated in Nanticoke and it derives approximately 99 percent of its deposits from within this market. Within the market PNS is the smallest of three commercial bank competitors, with 15 percent of aggregate deposits. In addition, the market contains an office of a $2 billion thrift institution.

First Eastern is headquartered in Wilkes-Barre, and has offices in six counties in northeastern Pennsylvania. First Eastern has no offices located within the market area, and derives less than 1 percent of its deposits from the market. In view of the nominal deposit overlap, this proposal is essentially a market extension for First Eastern and, as such, would have no significant effect on competition in the relevant market

The Bank Merger Act requires this Office to Consider "...the financial and managerial resources and future prospects of the existing and proposed institutions, and

the convenience and needs of the community to be served." We find that the financial and managerial resources of First Eastern and PNB are satisfactory. The future prospects of the proponents, individually and combined, are considered favorable and the resulting bank is expected to meet the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicant's records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger act, 12 U.S.C. 1828(9), and find that it will not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

January 28, 1987

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE AMERICAN NATIONAL BANK AND TRUST COMPANY OF SAPULPA, Sapulpa, Oklahoma, and First National Bank of Sapulpa, Sapulpa, Oklahoma

Names of banks and type of transaction	*Total assets*
The American National Bank and Trust Company of Sapulpa, Sapulpa, Oklahoma (7788), with	$111,439,000
and First National Bank of Sapulpa, Sapulpa, Oklahoma (17552), with	7,460,000
merged March 5, 1987, under charter and title of the former. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On March 5, 1987, application was made to the Comptroller of the Currency to grant prior written approval for The American National Bank and Trust Company of Sapulpa, Sapulpa, Oklahoma (hereinafter, "Assuming Bank"), to purchase certain assets and assume certain liabilities of First National Bank of Sapulpa, Sapulpa, Oklahoma ("First"). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation ("FDIC") as receiver of First. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

First was chartered as a national bank on December 15, 1982, and at the close of business on March 4, 1987, had total assets of approximately $7 million. The bank was declared insolvent by the Comptroller of the Currency on March 5, 1987, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of First.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Sapulpa community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Sapulpa community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed

in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of First, as set forth in the agreement, is approved. The Comptroller further finds that the failure of First requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

March 5, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

MARINE BANK SOUTH, NATIONAL ASSOCIATION,
Racine, Wisconsin, and Marine Bank of Mt. Pleasant, National Association, Mt. Pleasant, Wisconsin

Names of banks and type of transaction	*Total assets*
Marine Bank South, National Association, Racine, Wisconsin (457), with	$260,934,000
and Marine Bank of Mt. Pleasant, National Association, Mt. Pleasant, Wisconsin (18732), with	1,000,000
merged March 5, 1987, under charter and title of the former. The merged bank at date of merger had	260,934,000

* * *

MERCANTILE BANK NATIONAL ASSOCIATION,
St. Louis, Missouri, and Mercantile Bank of Northwest County National Association, Hazelwood, Missouri

Names of banks and type of transaction	*Total assets*
Mercantile Bank National Association, St. Louis, Missouri (21073), with	$4,259,701,000
and Mercantile Bank of Northwest County National Association, Hazelwood, Missouri (18359), with	22,327,000
merged March 6, 1987, under charter and title of the former. The merged bank at date of merger had	4,278,101,000

* * *

THE FIRST NATIONAL BANK OF OLNEY,
Olney, Texas, and First National Bank of Olney, Olney, Texas

Names of banks and type of transaction	*Total assets*
First National Bank of Olney, Olney, Texas (21478), with	NA
and The First National Bank of Olney, Olney, Texas (8982), with	$16,684,000
merged March 12, 1987, under charter and title of the former. The merged bank at date of merger had	

COMPTROLLER'S DECISION

On March 12, 1987, application was made to the Comptroller of the Currency to grant prior written approval for the newly formed National Bank of Olney, Olney, Texas, (Assuming Bank), to purchase certain assets and assume certain liabilities of The First National Bank of Olney, Olney, Texas (First). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of First. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

First was chartered as a national bank on October 21, 1907, and at the close of business on March 12, 1987, had total assets of approximately $14 million. The bank was declared insolvent by the Comptroller of the Currency and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of First.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption

transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Olney community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Olney community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of First, as set forth in the agreement, is approved. The Comptroller further finds that the failure of First requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community, and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

March 12, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

MBANK EL PASO NATIONAL ASSOCIATION, El Paso, Texas, and Western Bank, El Paso, Texas

Names of banks and type of transaction	*Total assets*
MBank El Paso National Association, El Paso, Texas (2521), with	$1,063,237,000
and Western Bank, El Paso, Texs, with	46,701,000
merged March 12, 1987 under charter and title of the former. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On March 12, 1987, application was made to the Comptroller of the Currency to grant prior written approval for MBank El Paso National Association, El Paso, Texas (Assuming Bank), to purchase certain assets and assume certain liabilities and to accept the transfer of insured deposits from Western Bank, El Paso, Texas (Western). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Western. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

Western was declared insolvent by the State of Texas on March 12, 1987 and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets, assume certain liabilities, and receive the transfer of insured deposits from Western.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of

the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the El Paso community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the El Paso area.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of, and to accept the transfer of insured deposits from, Western, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Western requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

March 12, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

TEXAS COMMERCE BANK-EL PASO, NATIONAL ASSOCIATION,
El Paso, Texas, and Texas Commerce Bank-First State, El Paso, Texas, and Texas Commerce Bank-Border City, El Paso, Texas, and Texas Commerce Bank-Northgate, National Association, El Paso, Texas, and Texas Commerce Bank-West, National Association, El Paso, Texas, and Texas Commerce Bank East, National Association, El Paso, Texas, and Texas Commerce Bank-Chamizal, National Association, El Paso, Texas

Names of banks and type of transaction	*Total assets*
Texas Commerce Bank-El Paso, National Asociation, El Paso, Texas (12769), with	$814,474,000
and Texas Commerce Bank-First State, El Paso, Texas, with	37,603,000
and Texas Commerce Bank-Border City, El Paso, Texas, with	33,383,000
and Texas Commerce Bank-Northgate, National Association, El Paso, Texas (14878), with	67,968,000
and Texas Commerce Bank-West, National Association, El Paso, Texas (16860), with	85,085,000
and Texas Commerce Bank East, National Association, El Paso, Texas (17109), with	48,900,000
and Texas Commerce Bank-Chamizal, National Association, El Paso, Texas (16624), with	30,344,000
merged March 16, 1987, under charter and title of Texas Commerce Bank-El Paso, National Association, El Paso, Texas.	
The merged bank at date of merger had	940,937,000

* * *

COLONIAL BANK, NATIONAL ASSOCIATION,
Orange, California, and New City Bank, Orange, California

Names of banks and type of transaction	*Total assets*
Colonial Bank, National Association, Orange, California (21482), with	NA
and New City Bank, Orange, California, with	$26,049,000
merged March 20, 1987, under charter and title of the former. The merged bank at date of merger had	

COMPTROLLER'S DECISION

On March 20, 1987, application was made to the Comptroller of the Currency to grant prior written approval for Colonial Bank, National Association, Orange, California (Assuming Bank), to purchase certain assets and assume certain liabilities of New City Bank, Orange, California. The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of New City Bank. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

On March 20, 1987, due to the financial condition of New City Bank, the California Superintendent of State Bank-

ing closed New City Bank and appointed the FDIC as receiver on the same date. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities, including all deposit liabilities of New City Bank.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Orange community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Orange community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of New City Bank, as set forth in the agreement, is approved. The Comptroller further finds that the failure of New City Bank requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the Orange community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

Assuming Bank is also authorized to operate New City Bank's main office and its branch office in Anaheim, California, as branches.

March 20, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

FIRST NATIONAL BANK OF JOHNSTON CO., Tishomingo, Oklahoma, and The Madill Bank and Trust Company, Madill, Oklahoma

Names of banks and type of transaction	*Total assets*
First National Bank of Johnston Co., Tishomingo, Oklahoma (18487), with	$43,068,000
and The Madill Bank and Trust Company, Madill, Oklahoma, with	39,630,000
merged March 20, 1987, under charter and title of the former. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On March 20, 1987, application was made to the Comptroller of the Currency to grant prior written approval for First American National Bank, Tishomingo, Oklahoma (Assuming Bank), to purchase certain assets and assume certain liabilities of Madill Bank and Trust Company, Madill, Oklahoma (MB&T). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of MB&T. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

Madill Bank and Trust Company was declared insolvent by the Oklahoma State Banking Commissioner on March 20, 1987 and was placed in the hands of the FDIC as receiver. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of MB&T.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticom-

petitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Madill community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Madill community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of MB&T, as set forth in the agreement, is approved. The Comptroller further finds that the failure of MB&T requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

March 20, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

FIRST NATIONAL BANK AND TRUST COMPANY, Perry, Oklahoma, and The First State Bank in Billings, Billings, Oklahoma

Names of banks and type of transaction	*Total assets*
First National Bank and Trust Company, Perry, Oklahoma (14020), with	$60,716,000
and The First State Bank in Billings, Billings, Oklahoma with	10,151,000
merged March 26, 1987, under charter number 21487 and title of the former. The merged bank at date of merger had	NA

COMPTROLLER'S DECISION

On March 26, 1987, application as made to the Comptroller of the Currency to grant prior written approval for First National Bank and Trust Company, Perry, Oklahoma (Assuming Bank), to purchase certain assets and assume certain liabilities of The First State Bank in Billings, Billings, Oklahoma (FSB). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of FSB. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

On March 26, 1987, due to the financial condition of FSB, the Oklahoma State Bank Commissioner closed FSB and appointed the FDIC as receiver on the same date. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities, including all deposit liabilities of FSB.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from

the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Billings community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of FSB, as set forth in the agreement, is approved. The Comptroller further finds that the failure of FSB requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

March 26, 1987

Due to the emergency nature of the situation a report was not requested from the Attorney General.

* * *

NORWEST BANK SOUTH DAKOTA, NATIONAL ASSOCIATION,
Sioux Falls, South Dakota, and Norwest Capital Management & Trust Co., Sioux Falls, South Dakota

Names of banks and type of transaction	*Total assets*
Norwest Bank South Dakota, National Association, Sioux Falls, South Dakota (10592), with	$1,457,091,000
and Norwest Capital Management & Trust Co., Sioux Falls, South Dakota, with	2,085,000
merged March 30, 1987, under charter and title of the former. The merged bank at date of merger had	1,459,163,000

* * *

ADAMS COUNTY NATIONAL BANK,
Gettysburg, Pennsylvania, and The Bendersville National Bank, Bendersville, Pennsylvania

Names of banks and type of transaction	*Total assets*
Adams County National Bank, Gettysburg, Pennsylvania (311), with	$291,221,000
and The Bendersville National Bank, Bendersville, Pennsylvania (9114), with	19,808,000
merged March 31, 1987, under charter and title of the former. The merged bank at date of merger had	311,029,000

COMPTROLLER'S DECISION

On October 17, 1986, application was made to the Office of the Comptroller of the Currency for prior authorization to merge The Bendersville National Bank, Bendersville, Pennsylvania (BNB), with and into Adams County National Bank, Gettysburg, Pennsylvania (ACNB). This application was made pursuant to an Agreement finalized between the proponents on August 19, 1986.

As of June 30, 1986, BNB, an independent bank, had total deposits of $18 million in office. As of the same date, ACNB held total deposits of $269 million in 11 offices. ACNB is a subsidiary of ACNB Corporation, a one-bank holding company.

The relevant geographic market for this proposal is Bendersville, a town of approximately 600 people in which BNB is situated, and immediate environs. BNB is the only financial institution located in Bendersville. The nearest town with other financial alternatives is Biglerville, approximately four miles southeast. Biglerville has branch offices of two banks, one of which is ACNB. ACNB's Office holds less than 5 percent of Biglerville deposits.

Upper Adams County is a rural agricultural area. Both Biglerville and Bendersville are located near a north-south state highway connecting Gettysburg (the county seat and only population center of Adams County) with Carlisle, a city approximately twice as large, in Cumberland County. Both Gettysburg and Carlisle are major business and shopping centers for the area and are within 15 miles of Bendersville.

Six additional commercial banking alternatives are readily available in these two locations, together with several thrift

institutions. Consequently, although consummation of this proposal will eliminate one banking alternative for residents of the relevant geographic market, the proposed merger will not have a significant effect on competition due to the size, number and relative proximity of other available banking alternatives.

The Bank Merger Act requires this Office to consider "...the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find that the financial and managerial resources of ACNB and BNB are satisfactory. The future prospects of the proponents, individually and combined, are considered favorable and the resulting bank is expected to meet the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 U.S.C. 1828(c), and find that it will not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved

February 17, 1987

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

Statistical Tables

NOTE: The statistical tables are produced by the Information Systems and Technology Division.

Assets, liabilities and capital accounts of national banks, December 31, 1985, and December 31, 1986
(Dollar amounts in millions)

	Dec 31, 1985 4,957 banks	Dec 31, 1986 4,862 banks*	Change Dec 31 1985 Dec 31 1986 Fully consolidated	
	Consolidated foreign and domestic	Consolidated foreign and domestic	Amount	Percent
Assets				
Cash and balances due from depository institutions:				
Noninterest-bearing balances and currency and coin	$ 124,736	$ 139,911	$ 15,175	12.2
Interest-bearing balances	89,365	88,379	-986	-1.1
Securities	251,020	277,460	26,440	10.5
Federal funds sold and securities purchased under agreements to resell	77,640	78,862	1,222	1.6
Loans and leases, net of unearned income	999,793	1,075,273	75,480	7.5
Less allowance for loan and lease losses	14,410	18,045	3,635	25.2
Less allocated transfer risk reserve	59	92	33	55.9
Net loans and leases	985,323	1,057,136	71,813	7.3
Premises and fixed assets	24,401	25,573	1,172	4.8
Other real estate owned	3,891	4,962	1,071	27.5
Other assets	77,060	71,001	-6,059	-7.9
Total assets	1,633,437	1,743,283	109,846	6.7
Liabilities				
Noninterest-bearing deposits in domestic offices	271,648	308,914	37,266	13.7
Interest-bearing deposits in domestic offices	761,988	816,897	54,909	7.2
Total domestic deposits	1,033,636	1,125,811	92,175	8.9
Noninterest-bearing deposits in foreign offices	8,869	9,648	779	8.8
Interest-bearing deposits in foreign offices	199,413	186,755	-12,658	-6.3
Total foreign deposits	208,282	196,403	-11,879	-5.7
Total deposits	1,241,918	1,322,214	80,296	6.5
Federal funds purchased and securities sold under agreements to repurchase	154,845	173,132	18,287	11.8
Interest-bearing demand notes issued to the U.S. Treasury	15,258	15,943	685	4.5
Other liabilities for borrowed money	43,047	52,874	9,827	22.8
Mortgage indebtedness and liability for capitalized leases	1,619	1,605	-14	-0.9
Subordinated notes and debentures	8,699	9,830	1,131	13.0
All other liabilities	71,584	65,049	-6,535	-9.1
Total liabilities	1,536,969	1,640,646	103,677	6.7
Limited-life preferred stock	9	74	65	722.2
Equity capital				
Perpetual preferred stock	409	811	402	98.3
Common stock	16,668	16,443	-225	-1.3
Surplus	30,627	32,765	2,138	7.0
Undivided profits and capital reserves	49,043	52,847	3,804	7.8
Cumulative foreign currency translation adjustments	-290	-304	-14	4.8
Total equity capital	96,458	102,563	6,105	6.3
Total liabilities, limited-life preferred stock, and equity capital	1,633,437	1,743,283	109,846	6.7

*Reporting national banks. Does not include the nonnational bank in the District of Columbia

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, by states, December 31, 1986
(Dollar amounts in millions)

	Total United States	Alabama	Alaska	Arizona	Arkansas	California	Colorado
Number of banks	4,862	53	5	15	82	167	243
Assets							
Cash and balances due from depository institutions							
Noninterest-bearing balances and currency and coin	$ 139,911	$ 967	$ 195	$ 1,963	$ 727	$18,878	$ 2,106
Interest-bearing balances	88,379	351	22	193	207	6,409	456
Securities	277,460	3,203	566	2,493	2,488	16,255	3,099
Federal funds sold and securities purchased under agreements to resell	78,862	201	189	241	720	5,667	1,671
Loans and leases, net of unearned income	1,075,273	8,016	1,438	11,810	5,279	142,132	10,007
Less: allowance for loan and lease losses	18,045	108	20	156	86	3,215	207
Less: allocated transfer risk reserve	92	0	0	0	0	84	0
Net loans and leases	1,057,136	7,908	1,419	11,654	5,193	138,833	9,800
Premises and fixed assets	25,573	227	87	341	187	3,228	336
Other real estate owned	4,962	28	23	37	54	982	215
Other assets	71,001	423	51	375	193	8,077	438
Total assets	1,743,283	13,308	2,552	17,298	9,770	198,329	18,122
Liabilities							
Noninterest-bearing deposits in domestic offices	308,914	2,510	605	3,971	1,704	39,362	4,343
Interest-bearing deposits in domestic offices	816,897	7,732	1,297	11,307	6,810	91,594	10,355
Total domestic deposits	1,125,811	10,242	1,902	15,279	8,514	130,956	14,697
Noninterest-bearing deposits in foreign offices	9,648	0	1	0	0	1,543	0
Interest-bearing deposits in foreign offices	186,755	241	—	26	0	28,116	156
Total foreign deposits	196,403	241	1	26	0	29,659	156
Total deposits	1,322,214	10,483	1,904	15,305	8,514	160,615	14,853
Federal funds purchased and securities sold under agreements to repurchase	173,132	1,352	236	547	340	10,449	1,577
Interest-bearing demand notes issued to the U.S. Treasury	15,943	56	17	0	45	1,147	85
Other liabilities for borrowed money	52,874	117	42	40	16	5,007	63
Mortgage indebtedness and liability for capitalized leases	1,605	9	1	13	7	222	18
Subordinated notes and debentures	9,830	1	0	39	17	2,986	26
All other liabilities	65,049	292	33	320	92	8,875	238
Total liabilities	1,640,646	12,309	2,232	16,264	9,030	189,301	16,861
Limited-life preferred stock	74	0	0	1	0	0	0
Equity capital							
Perpetual preferred stock	811	0	0	2	14	373	—
Common stock	16,443	37	64	75	152	2,170	236
Surplus	32,765	418	87	196	156	2,914	453
Undivided profits and capital reserves	52,847	544	170	761	417	3,685	571
Cumulative foreign currency translation adjustments	−304	0	0	0	0	−114	0
Total equity capital	102,563	999	320	1,033	740	9,027	1,261
Total liabilities, limited-life preferred stock, and equity capital	1,743,283	13,308	2,552	17,298	9,770	198,329	18,122
Number of banks with foreign offices	138	2	1	2	1	5	2

See notes at end of table

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, by states, December 31, 1986—continued
(Dollar amounts in millions)

	Connecticut	Delaware	Dist. of Col.	Florida	Georgia	Hawaii	Idaho
Number of banks	17	16	19	173	57	3	7
Assets							
Cash and balances due from depository institutions.							
Noninterest-bearing balances and currency and coin	$ 3,043	$ 284	$ 1,222	$ 7,442	$ 2,920	$ 25	$ 434
Interest-bearing balances	394	38	2,177	1,576	1,718	2	370
Securities	3,424	495	2,590	15,181	4,723	43	1,091
Federal funds sold and securities purchased under agreements to resell	411	50	636	4,067	744	26	102
Loans and leases, net of unearned income	12,089	13,016	9,834	43,994	17,960	120	3,428
Less allowance for loan and lease losses	132	407	136	577	255	1	79
Less allocated transfer risk reserve	2	0	0	—	0	0	0
Net loans and leases	11,955	12,609	9,698	43,417	17,705	118	3,349
Premises and fixed assets	280	91	251	1,606	501	3	91
Other real estate owned	23	1	22	111	33	1	23
Other assets	345	324	452	1,651	830	3	86
Total assets	19,874	13,891	17,046	75,051	29,174	220	5,546
Liabilities							
Noninterest-bearing deposits in domestic offices	6,230	367	3,356	15,785	7,050	56	833
Interest-bearing deposits in domestic offices	8,735	4,941	8,223	45,615	13,440	142	3,794
Total domestic deposits	14,965	5,308	11,579	61,400	20,490	199	4,627
Noninterest-bearing deposits in foreign offices	0	0	5	6	66	0	0
Interest-bearing deposits in foreign offices	392	20	2,369	706	634	0	0
Total foreign deposits	392	20	2,373	712	700	0	0
Total deposits	15,357	5,328	13,952	62,113	21,189	199	4 627
Federal funds purchased and securities sold under agreements to repurchase	2,429	3,312	1,311	6,695	4,613	3	425
Interest bearing demand notes issued to the U S Treasury	332	2	281	628	12	1	33
Other liabilities for borrowed money	264	3,623	114	164	329	0	0
Mortgage indebtedness and liability for capitalized leases	17	3	10	59	27	1	4
Subordinated notes and debentures	83	273	110	137	230	2	21
All other liabilities	357	378	357	942	1,037	2	87
Total liabilities	18,840	12,918	16,135	70,737	27,438	206	5 197
Limited life preferred stock	0	0	0	0	0	0	0
Equity capital							
Perpetual preferred stock	0	13	0	2	0	0	1
Common stock	110	175	81	659	195	8	44
Surplus	366	384	195	1,868	535	5	193
Undivided profits and capital reserves	559	400	637	1,785	1,007	1	111
Cumulative foreign currency translation adjustments	0	0	−1	0	0	0	0
Total equity capital	1,035	973	912	4,314	1,737	14	348
Total liabilities, limited life preferred stock, and equity capital	19,874	13,891	17,046	75,051	29,174	220	5 546
Number of banks with foreign offices	2	0	6	13	3	0	0

See notes at end of table

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, by states, December 31, 1986—continued
(Dollar amounts in millions)

	Illinois	Indiana	Iowa	Kansas	Kentucky	Louisiana	Maine
Number of banks	395	103	105	169	78	71	7
Assets							
Cash and balances due from depository institutions							
Noninterest bearing balances and currency and coin	$ 7,291	$ 2,489	$1,005	$ 917	$ 1 420	$ 1 693	$ 228
Interest bearing balances	8,104	1,214	145	182	227	585	48
Securities	20,563	6,180	2,759	3,289	3,003	4 624	416
Federal funds sold and securities purchased under agreements to resell	3,499	1,356	764	846	1,015	1 445	94
Loans and leases, net of unearned income	65,915	15,677	4,395	5,305	7,965	10 807	1 891
Less allowance for loan and lease losses	1,285	187	83	92	98	217	20
Less allocated transfer risk reserve	0	0	0	0	0	0	0
Net loans and leases	64,631	15,490	4,312	5,213	7,867	10,590	1 872
Premises and fixed assets	1,244	335	133	165	202	480	42
Other real estate owned	164	53	60	54	26	112	1
Other assets	5,053	744	202	217	214	483	40
Total assets	110,549	27,860	9,380	10,883	13,974	20,011	2,740
Liabilities							
Noninterest bearing deposits in domestic offices	16,317	5,094	1,894	1,905	2,671	3 870	561
Interest-bearing deposits in domestic offices	42,667	16,789	6,067	7,340	8,176	12,404	1 815
Total domestic deposits	58,985	21,883	7,961	9,245	10,847	16,275	2,376
Noninterest bearing deposits in foreign offices	558	0	0	0	8	0	0
Interest-bearing deposits in foreign offices	22,707	235	0	0	83	154	0
Total foreign deposits	23,265	235	0	0	92	154	0
Total deposits	82,249	22,118	7,961	9,245	10,939	16,428	2 376
Federal funds purchased and securities sold under agreements to repurchase	10,465	2,884	579	583	1,495	1,734	124
Interest bearing demand notes issued to the U S Treasury	1 795	361	48	61	197	36	19
Other liabilities for borrowed money	4,675	107	9	11	179	86	31
Mortgage indebtedness and liability for capitalized leases	34	34	18	8	22	36	2
Subordinated notes and debentures	480	14	19	6	4	15	1
All other liabilities	3,810	502	117	134	172	232	19
Total liabilities	103,508	26,018	8,750	10,049	13,007	18,567	2 571
Limited-life preferred stock	0	0	0	0	0	0	0
Equity capital							
Perpetual preferred stock	14	0	9	—	1	0	0
Common stock	1,939	230	99	135	104	205	29
Surplus	2,405	492	163	209	167	407	46
Undivided profits and capital reserves	2,720	1,119	359	490	695	832	94
Cumulative foreign currency translation adjustments	−36	0	0	0	0	0	0
Total equity capital	7,041	1,842	631	834	966	1 444	169
Total liabilities, limited-life preferred stock, and equity capital	110,549	27,860	9,380	10,883	13,974	20,011	2 740
Number of banks with foreign offices	5	3	1	0	1	2	0

See notes at end of table

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, by states, December 31, 1986—continued
(Dollar amounts in millions)

	Maryland	*Massa-chusetts*	*Michigan*	*Minnesota*	*Mississippi*	*Missouri*	*Montana*
Number of banks	24	48	109	215	30	103	58
Assets							
Cash and balances due from depository institutions:							
Noninterest-bearing balances and currency and coin	$ 1,840	$ 4,374	$ 3,780	$ 3,091	$ 640	$ 3,614	$ 277
Interest-bearing balances	521	2,413	3,260	2,028	105	656	59
Securities	3,903	5,737	8,577	9,880	2,194	4,949	753
Federal funds sold and securities purchased under agreements to resell	997	858	1,057	2,729	705	3,026	923
Loans and leases, net of unearned income	12,450	36,322	23,672	22,287	4,380	15,694	1,978
Less allowance for loan and lease losses	240	518	315	474	69	224	56
Less allocated transfer risk reserve	2	1	0	0	0	0	0
Net loans and leases	12,208	35,803	23,357	21,814	4,311	15,471	1,922
Premises and fixed assets	234	631	458	306	168	528	62
Other real estate owned	15	27	75	106	26	52	26
Other assets	739	1,971	1,160	1,936	167	484	93
Total assets	20,457	51,813	41,724	41,890	8,317	28,780	4,116
Liabilities							
Noninterest-bearing deposits in domestic offices	4,495	10,015	7,898	6,808	1,423	6,944	595
Interest-bearing deposits in domestic offices	9,593	20,376	22,573	18,942	5,264	14,812	2,738
Total domestic deposits	14,088	30,391	30,470	25,750	6,687	21,756	3,333
Noninterest-bearing deposits in foreign offices	1	393	17	25	0	0	0
Interest-bearing deposits in foreign offices	910	6,640	1,858	2,261	—	411	0
Total foreign deposits	911	7,033	1,875	2,286	—	411	0
Total deposits	14,999	37,424	32,345	28,036	6,687	22,166	3,333
Federal funds purchased and securities sold under agreements to repurchase	2,325	6,716	4,849	7,986	921	3,865	426
Interest-bearing demand notes issued to the U.S. Treasury	359	740	527	590	9	208	11
Other liabilities for borrowed money	770	2,493	215	447	36	90	22
Mortgage indebtedness and liability for capitalized leases	29	26	30	36	4	84	9
Subordinated notes and debentures	100	119	161	286	5	2	10
All other liabilities	685	1,675	1,158	2,201	89	490	55
Total liabilities	19,268	49,193	39,285	39,582	7,752	26,906	3,868
Limited-life preferred stock	0	0	0	0	0	0	0
Equity capital							
Perpetual preferred stock	0	0	0	12	0	4	6
Common stock	95	168	351	393	48	258	83
Surplus	418	857	698	570	437	476	94
Undivided profits and capital reserves	676	1,600	1,386	1,333	81	1,136	65
Cumulative foreign currency translation adjustments	0	-5	3	0	0	0	0
Total equity capital	1,189	2,621	2,440	2,308	566	1,874	248
Total liabilities, limited-life preferred stock, and equity capital	20,457	51,813	41,724	41,890	8,317	28,780	4,116
Number of banks with foreign offices	3	5	4	4	0	4	0

See notes at end of table.

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, by states, December 31, 1986—continued
(Dollar amounts in millions)

	Nebraska	Nevada	New Hampshire	New Jersey	New Mexico	New York	North Carolina
Number of banks	118	6	22	68	42	106	16
Assets							
Cash and balances due from depository institutions							
Noninterest-bearing balances and currency and coin	$1,019	$ 425	$ 309	$ 5,374	$ 487	$ 17,499	$ 3,593
Interest-bearing balances	106	182	32	1,035	80	30,898	2,204
Securities	2,756	680	547	9,493	1,397	37,792	10,950
Federal funds sold and securities purchased under agreements to resell	696	72	154	1,504	550	11,502	1,239
Loans and leases, net of unearned income	4,799	4,913	2,764	32,444	3,166	191,527	25,984
Less allowance for loan and lease losses	98	101	26	377	40	2,264	375
Less allocated transfer risk reserve	0	0	0	0	0	1	0
Net loans and leases	4,701	4,812	2,739	32,068	3,125	189,262	25,609
Premises and fixed assets	159	135	57	718	110	4,251	604
Other real estate owned	59	32	1	26	24	290	22
Other assets	221	111	61	1,438	104	26,181	1,204
Total assets	9,716	6,448	3,900	51,655	5,877	317,675	45,424
Liabilities							
Noninterest-bearing deposits in domestic offices	1,960	987	704	13,966	980	43,612	7,422
Interest-bearing deposits in domestic offices	6,297	2,751	2,601	28,943	3,996	77,286	20,563
Total domestic deposits	8,257	3,738	3,305	42,909	4,976	120,898	27,985
Noninterest-bearing deposits in foreign offices	0	0	0	—	0	6,452	11
Interest-bearing deposits in foreign offices	0	0	0	502	0	99,973	2,025
Total foreign deposits	0	0	0	502	0	106,424	2,035
Total deposits	8,257	3,738	3,305	43,411	4,976	227,322	30,020
Federal funds purchased and securities sold under agreements to repurchase	441	706	179	3,368	406	23,290	10,607
Interest-bearing demand notes issued to the U.S. Treasury	36	21	15	215	16	1,409	482
Other liabilities for borrowed money	88	1,082	112	327	2	18,768	638
Mortgage indebtedness and liability for capitalized leases	27	4	14	20	3	263	79
Subordinated notes and debentures	8	150	—	177	9	1,790	187
All other liabilities	135	151	33	1,146	56	26,677	829
Total liabilities	8,992	5,853	3,659	48,664	5,467	299,520	42,842
Limited-life preferred stock	0	0	0	0	0	0	64
Equity capital							
Perpetual preferred stock	1	0	0	7	0	13	0
Common stock	106	132	12	508	95	2,515	263
Surplus	162	252	78	747	135	5,917	502
Undivided profits and capital reserves	456	212	150	1,729	181	9,856	1,753
Cumulative foreign currency translation adjustments	0	0	0	0	0	-145	-1
Total equity capital	724	595	241	2,991	410	18,156	2,518
Total liabilities, limited-life preferred stock, and equity capital	9,716	6,448	3,900	51,655	5,877	317,675	45,424
Number of banks with foreign offices	0	0	0	6	0	10	3

See notes at end of table.

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, by states, December 31, 1986—continued

(Dollar amounts in millions)

	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania	Rhode Island	South Carolina
Number of banks	43	139	223	8	174	5	22
Assets							
Cash and balances due from depository institutions:							
Noninterest-bearing balances and currency and coin	$ 254	$ 4,978	$ 1,409	$ 1,372	$ 7,145	$ 701	$ 968
Interest-bearing balances	37	2,918	608	426	5,799	433	96
Securities	785	12,472	5,246	2,240	19,122	1,700	1,980
Federal funds sold and securities purchased under agreements to resell	408	2,694	1,401	1,196	2,167	203	750
Loans and leases, net of unearned income	1,588	42,907	9,089	8,565	61,205	6,977	6,635
Less allowance for loan and lease losses	38	531	263	94	954	98	82
Less allocated transfer risk reserve	0	0	0	0	0	0	0
Net loans and leases	1,550	42,377	8,826	8,471	60,251	6,879	6,554
Premises and fixed assets	40	986	312	166	1,115	112	200
Other real estate owned	12	62	207	50	109	16	9
Other assets	66	1,699	508	749	4,745	710	223
Total assets	3,152	68,185	18,518	14,670	100,452	10,753	10,779
Liabilities							
Noninterest-bearing deposits in domestic offices	464	11,638	3,343	2,474	16,320	1,303	2,471
Interest-bearing deposits in domestic offices	2,265	40,746	12,288	8,189	50,074	5,361	6,095
Total domestic deposits	2,728	52,384	15,631	10,663	66,394	6,665	8,566
Noninterest-bearing deposits in foreign offices	0	—	0	0	478	1	0
Interest-bearing deposits in foreign offices	0	906	86	20	6,162	1,065	0
Total foreign deposits	0	906	86	20	6,639	1,066	0
Total deposits	2,728	53,291	15,717	10,683	73,034	7,731	8,566
Federal funds purchased and securities sold under agreements to repurchase	139	8,110	954	1,973	12,095	814	1,154
Interest-bearing demand notes issued to the U.S. Treasury	9	320	181	64	1,468	180	88
Other liabilities for borrowed money	4	600	99	172	3,028	1,151	138
Mortgage indebtedness and liability for capitalized leases	5	58	8	13	72	3	8
Subordinated notes and debentures	9	37	18	40	727	42	61
All other liabilities	48	1,150	232	812	4,273	265	122
Total liabilities	2,943	63,566	17,208	13,758	94,697	10,187	10,138
Limited-life preferred stock	0	0	0	0	—	0	0
Equity capital							
Perpetual preferred stock	0	—	173	2	1	20	0
Common stock	60	707	242	95	630	43	62
Surplus	62	1,540	411	205	1,677	182	201
Undivided profits and capital reserves	86	2,372	483	611	3,453	322	378
Cumulative foreign currency translation adjustments	0	0	0	0	-6	0	0
Total equity capital	208	4,619	1,309	913	5,755	567	641
Total liabilities, limited-life preferred stock, and equity capital	3,152	68,185	18,518	14,670	100,452	10,753	10,779
Number of banks with foreign offices	0	8	3	2	6	2	1

See notes at end of table

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, by states, December 31, 1986—continued
(Dollar amounts in millions)

	South Dakota	Tennessee	Texas	Utah	Vermont	Virginia	Washington
Number of banks	25	58	1,068	7	12	49	24
Assets							
Cash and balances due from depository institutions							
Noninterest-bearing balances and currency and coin	$ 303	$ 2,082	$ 11 808	$ 605	$ 126	$ 1 525	$ 2 803
Interest-bearing balances	22	600	7,601	477	49	273	518
Securities	1,056	4,683	18,369	660	255	3 618	2 205
Federal funds sold and securities purchased under agreements to resell	404	706	14,486	629	76	1,128	1 216
Loans and leases, net of unearned income	12,917	12,995	83,761	4,393	1,162	14 164	20 322
Less allowance for loan and lease losses	436	172	2,100	60	8	153	309
Less allocated transfer risk reserve	0	0	—	0	0	0	0
Net loans and leases	12,481	12,823	81,662	4,333	1,154	14,011	20 013
Premises and fixed assets	137	321	2,409	83	31	391	506
Other real estate owned	15	32	1,355	48	2	24	131
Other assets	487	787	2,806	115	21	345	1,099
Total assets	14,906	22,034	140,497	6,950	1,713	21,314	28,492
Liabilities							
Noninterest-bearing deposits in domestic offices	534	4,317	23,546	1,328	304	3,879	5,742
Interest-bearing deposits in domestic offices	4,579	13,013	76,307	4,200	1,234	13,215	15,821
Total domestic deposits	5,112	17,330	99,853	5,528	1,528	17,094	21,563
Noninterest-bearing deposits in foreign offices	0	0	21	0	0	0	54
Interest-bearing deposits in foreign offices	0	95	6,358	51	0	36	1,237
Total foreign deposits	0	95	6,379	51	0	36	1,292
Total deposits	5,112	17,425	106,232	5,580	1,538	17,130	22,855
Federal funds purchased and securities sold under agreements to repurchase	2,297	2,182	19,670	770	28	2,012	1,777
Interest-bearing demand notes issued to the U.S. Treasury	14	43	2,882	34	14	251	423
Other liabilities for borrowed money	5,358	256	1,229	14	—	288	516
Mortgage indebtedness and liability for capitalized leases	4	23	155	8	—	19	35
Subordinated notes and debentures	439	31	646	45	2	26	230
All other liabilities	663	616	1,678	90	17	248	990
Total liabilities	13,888	20,576	132,493	6,541	1,599	19,974	26,826
Limited-life preferred stock	0	0	0	0	0	0	9
Equity capital							
Perpetual preferred stock	1	33	105	0	0	0	6
Common stock	198	209	1,716	54	13	120	246
Surplus	286	354	2,933	130	34	345	822
Undivided profits and capital reserves	534	862	3,251	226	67	875	582
Cumulative foreign currency translation adjustments	0	0	0	0	0	0	—
Total equity capital	1,018	1,458	8,004	409	114	1,340	1 657
Total liabilities, limited-life preferred stock, and equity capital	14,906	22,034	140,497	6,950	1,713	21,314	28 492
Number of banks with foreign offices	0	3	16	2	0	2	3

See notes at end of table

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, by states, December 31, 1986—continued

(Dollar amounts in millions)

	West Virginia	Wisconsin	Wyoming	Puerto Rico	D C — nonnational*
Number of banks	97	117	40	1	1
Assets					
Cash and balances due from depository institutions:					
Noninterest-bearing balances and currency and coin	$ 446	$ 1,653	$ 160	$2	$7
Interest-bearing balances	159	312	57	1	—
Securities	2,877	3,390	702	10	30
Federal funds sold and securities purchased under agreements to resell	616	803	220	3	4
Loans and leases, net of unearned income	4,346	9,716	1,043	26	45
Less allowance for loan and lease losses	52	119	40	—	1
Less allocated transfer risk reserve	0	2	0	0	0
Net loans and leases	4,294	9,595	1,002	26	44
Premises and fixed assets	182	298	32	1	1
Other real estate owned	24	33	30	0	—
Other assets	144	365	55	1	2
Total assets	8,743	16,450	2,259	43	89
Liabilities					
Noninterest-bearing deposits in domestic offices	1,256	3,361	337	4	25
Interest-bearing deposits in domestic offices	6,160	9,654	1,684	32	56
Total domestic deposits	7,416	13,015	2,021	36	81
Noninterest-bearing deposits in foreign offices	0	9	0	0	0
Interest-bearing deposits in foreign offices	0	320	0	0	0
Total foreign deposits	0	330	0	0	0
Total deposits	7,416	13,345	2,021	36	81
Federal funds purchased and securities sold under agreements to repurchase	421	1,447	48	2	1
Interest bearing demand notes issued to the U.S Treasury	20	155	2	0	0
Other liabilities for borrowed money	6	46	1	0	0
Mortgage indebtedness and liability for capitalized leases	7	11	1	0	0
Subordinated notes and debentures	1	8	3	0	0
All other liabilities	93	348	25	1	1
Total liabilities	7,963	15,360	2,102	40	83
Limited-life preferred stock	0	0	0	0	0
Equity capital					
Perpetual preferred stock	0	0	0	0	0
Common stock	91	167	15	2	—
Surplus	206	315	57	2	1
Undivided profits and capital reserves	483	608	85	-1	5
Cumulative foreign currency translation adjustments	0	—	0	0	0
Total equity capital	780	1,090	157	3	6
Total liabilities, limited life preferred stock, and equity capital	8,743	16,450	2,259	43	89
Number of banks with foreign offices	0	2	0	0	0

* Nonnational banks in the District of Columbia are supervised by the Comptroller of the Currency. Nonnational bank data are not included in U S aggregates

NOTES: Foreign offices are defined to include Edge Act and Agreement subsidiaries in the U S, branches located in Puerto Rico, the Virgin Islands and U S Trust Territories and branches and subsidiaries located in foreign countries. Dashes indicate amounts of less than $500,000. Data are from the consolidated reports of condition filed quarterly by all national banks

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, December 31, 1986
(Dollar amounts in millions)

	Total United States	Alabama	Alaska	Arizona	Arkansas	California	Colorado
Number of banks	4,862	53	5	15	82	167	243
Interest income							
Interest and fee income on loans	$106,686.9	$754.2	$165.4	$1,192.2	$571.2	$14,558.5	$1,104.0
Income from lease financing receivables	1,742.8	2.3	0.4	14.3	2.0	325.5	8.1
Interest income on balances due from depository institutions	6,687.3	21.3	0.3	8.2	14.0	894.7	22.2
Interest and dividend income on securities	19,882.5	233.6	45.3	212.1	192.7	848.0	238.4
Interest income from assets held in trading accounts	1,819.2	2.8	0.0	0.7	5.3	393.2	4.5
Interest income from federal funds sold and securities purchased under agreements to resell	5,091.7	24.4	6.1	19.6	47.9	380.4	89.6
Total interest income	141,910.2	1,038.7	217.4	1,447.1	883.1	17,400.2	1,466.8
Interest expense							
Interest on deposits	68,630.5	496.2	74.5	729.3	442.7	8,810.2	692.1
Expense of federal funds purchased and securities sold under agreements to repurchase	10,795.0	83.6	14.1	40.9	29.7	702.1	90.6
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	5,164.6	9.6	4.1	8.6	2.7	503.7	8.3
Interest on mortgage indebtedness and obligations under capitalized leases	172.2	0.9	0.1	1.1	0.7	25.7	1.8
Interest on notes and debentures subordinated to deposits	818.7	0.4	0.0	2.7	1.6	205.4	3.1
Total interest expense	85,581.0	590.7	92.9	782.6	477.5	10,247.1	795.8
Net interest income	56,329.2	448.0	124.6	664.5	355.6	7,153.1	671.0
Provision for loan and lease losses	13,949.7	47.5	16.4	116.7	86.4	2,638.2	235.4
Provision for allocated transfer risk	38.7	0.0	0.0	0.0	0.0	35.1	0.0
Noninterest income							
Service charges on deposit accounts	4,728.4	49.2	14.6	96.2	36.3	680.8	103.7
Other noninterest income	18,127.4	106.5	28.5	139.1	88.0	2,757.5	213.9
Total noninterest income	22,855.7	155.7	43.0	235.3	124.3	3,438.3	317.6
Gains and losses on securities not held in trading accounts	2,326.2	8.0	4.9	31.4	18.5	133.0	29.6
Noninterest expense							
Salaries and employee benefits	25,716.0	200.7	62.7	327.1	151.1	3,755.2	323.0
Expenses of premises and fixed assets (net of rental income)	8,833.3	61.8	26.6	98.1	49.0	1,434.0	115.9
Other noninterest expense	20,221.5	126.5	39.0	183.8	137.8	2,396.5	319.9
Total noninterest expense	54,770.8	389.0	128.3	609.0	338.0	7,585.6	758.8
Income (loss) before income taxes and extraordinary items and other adjustments	12,751.2	175.4	27.8	205.5	74.1	465.4	24.0
Applicable income taxes	3,170.2	25.4	3.4	61.1	16.2	355.8	-38.6
Income before extraordinary items and other adjustments	9,580.0	149.9	24.4	144.4	57.9	109.6	61.5
Extraordinary items and adjustments, net of taxes	162.8	0.0	0.0	18.0	0.5	8.5	0.1
Net income	9,742.9	149.9	24.4	162.4	58.5	118.1	61.6
Total cash dividends declared	5,315.2	58.4	9.5	53.3	31.5	238.3	68.3
Recoveries credited to allowance for possible loan losses	2,036.4	12.0	1.3	17.1	14.1	426.8	28.6
Losses charged to allowance for possible loan losses	12,377.6	45.2	13.7	114.2	94.1	2,367.7	225.6
Net loan losses	10,341.2	33.1	12.4	97.1	80.0	1,941.0	197.0

Ratio to total operating income							
Interest on deposits	41.7	41.5	28.6	43.4	46.2	42.3	38.8
Other interest expense	10.3	7.9	7.0	3.2	3.6	6.9	5.8
Salaries and employee benefits	15.6	16.8	24.1	19.4	15.8	18.0	18.1
Other noninterest expense	17.6	15.8	25.2	16.8	19.5	18.4	24.4
Total operating expenses	85.2	82.0	84.9	82.7	85.2	85.6	87.1
Ratio of net income to total equity capital (end of period)—percent	9.5	15.0	7.6	15.7	7.9	1.3	4.9

See notes at end of table

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, December 31, 1986 — continued
(Dollar amounts in millions)

	Connecticut	Delaware	District of Columbia	Florida	Georgia	Hawaii	Idaho
Number of banks	17	16	19	173	57	3	7
Interest income							
Interest and fee income on loans	$1,073.2	$1,874.0	$845.4	$4,320.8	$1,806.2	$13.5	$381.4
Income from lease financing receivables	0.1	1.9	2.7	20.3	34.6	0.1	3.2
Interest income on balances due from depository institutions	21.9	3.7	144.7	82.6	78.8	0.1	34.0
Interest and dividend income on securities	207.0	29.5	186.0	1,081.9	374.8	3.4	76.9
Interest income from assets held in trading accounts	2.0	0.0	1.3	7.1	7.6	0.0	0.3
Interest income from federal funds sold and securities purchased under agreements to resell	10.7	4.4	25.9	242.6	55.1	1.3	12.7
Total interest income	1,314.8	1,913.6	1,206.0	5,755.3	2,357.1	18.4	508.5
Interest expense							
Interest on deposits	588.6	315.1	640.9	2,741.9	968.3	8.1	259.1
Expense of federal funds purchased and securities sold under agreements to repurchase	108.5	160.8	94.2	347.0	273.7	—	36.8
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	23.6	299.1	11.9	24.3	12.2	0.1	1.7
Interest on mortgage indebtedness and obligations under capitalized leases	1.7	0.3	0.6	6.7	2.5	0.1	0.4
Interest on notes and debentures subordinated to deposits	11.0	19.0	13.1	10.2	24.9	0.1	1.7
Total interest expense	733.5	794.2	760.6	3,130.1	1,281.5	8.4	299.7
Net interest income	581.3	1,119.4	445.3	2,625.2	1,075.6	10.0	208.8
Provision for loan and lease losses	52.2	547.7	48.8	366.8	165.3	0.5	81.3
Provision for allocated transfer risk	0.4	0.0	0.0	0.2	0.0	0.0	0.0
Noninterest income							
Service charges on deposit accounts	60.9	5.8	43.6	316.5	143.7	1.1	30.0
Other noninterest income	149.6	392.4	78.9	517.9	197.9	1.7	28.3
Total noninterest income	210.5	398.2	122.5	834.5	341.6	2.8	58.3
Gains and losses on securities not held in trading accounts	22.8	-2.0	31.6	67.6	23.9	0.3	11.0
Noninterest expense							
Salaries and employee benefits	302.3	116.4	206.5	1,077.4	472.3	5.5	86.9
Expenses of premises and fixed assets (net of rental income)	105.3	43.0	82.1	437.9	162.2	2.6	17.7
Other noninterest expense	167.7	392.0	127.8	1,001.3	339.6	3.2	84.0
Total noninterest expense	575.3	551.4	416.4	2,516.7	974.1	11.3	188.5
Income (loss) before income taxes and extraordinary items and other adjustments	186.7	416.5	134.1	643.6	301.8	1.3	7.7
Applicable income taxes	28.1	194.9	18.3	72.3	29.1	0.8	-15.1
Income before extraordinary items and other adjustments	158.6	221.5	115.9	571.3	272.6	0.5	22.7
Extraordinary items and adjustments, net of taxes	0.1	0.0	0.2	8.1	—	—	0.0
Net income	158.7	221.5	116.1	579.4	272.7	0.5	22.7
Total cash dividends declared	31.1	28.7	26.3	215.9	120.3	0.1	31.4
Recoveries credited to allowance for possible loan losses	8.5	44.2	9.6	58.2	30.2	0.2	10.4
Losses charged to allowance for possible loan losses	32.3	442.6	46.2	335.2	170.2	0.6	60.0
Net loan losses	23.7	398.4	36.6	277.0	140.0	0.5	49.6

Ratio to total operating income							
Interest on deposits	38.6	13.6	48.2	41.6	35.9	38.3	45.7
Other interest expense	9.5	20.7	9.0	5.9	11.6	1.4	7.2
Salaries and employee benefits	19.8	5.0	15.5	16.4	17.5	25.9	15.3
Other noninterest expense	17.9	18.8	15.8	21.8	18.6	27.6	17.9
Total operating expenses	85.8	58.2	88.6	85.7	83.6	93.1	86.1
Ratio of net income to total equity capital (end of period)—percent	15.3	22.8	12.7	13.4	15.7	3.8	6.5

See notes at end of table

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, December 31, 1986 — continued
(Dollar amounts in millions)

	Illinois	Indiana	Iowa	Kansas	Kentucky	Louisiana	Maine
Number of banks	395	103	105	169	78	71	7
Interest income							
Interest and fee income on loans	$6,158.3	$1,530.2	$471.3	$582.7	$762.0	$1,113.3	$187.2
Income from lease financing receivables	25.9	26.8	1.1	4.3	11.4	6.0	0.7
Interest income on balances due from depository institutions	668.7	74.4	7.9	11.9	8.6	41.4	0.8
Interest and dividend income on securities	1,340.0	479.0	217.5	275.2	247.9	423.2	34.1
Interest income from assets held in trading accounts	223.7	3.7	0.3	0.3	1.4	0.7	0.0
Interest income from federal funds sold and securities purchased under agreements to resell	278.7	78.8	57.4	61.8	51.9	79.1	5.9
Total interest income	8,695.3	2,192.7	755.5	936.3	1,083.3	1,663.7	228.7
Interest expense							
Interest on deposits	4,568.3	1,122.1	415.9	500.6	535.2	822.7	110.0
Expense of federal funds purchased and securities sold under agreements to repurchase	644.9	162.2	36.3	38.8	87.8	105.1	5.5
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	384.1	24.1	3.1	4.0	14.8	4.5	2.4
Interest on mortgage indebtedness and obligations under capitalized leases	3.1	2.8	1.8	0.3	2.1	3.1	0.1
Interest on notes and debentures subordinated to deposits	45.8	1.3	1.6	0.7	0.4	1.4	—
Total interest expense	5,646.1	1,312.5	458.7	544.4	640.3	936.9	118.0
Net interest income	3,049.2	880.1	296.8	391.9	443.1	726.8	110.7
Provision for loan and lease losses	710.4	122.7	104.6	107.5	63.8	258.2	7.2
Provision for allocated transfer risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Noninterest income							
Service charges on deposit accounts	178.7	74.9	28.1	35.7	38.8	75.8	6.8
Other noninterest income	1,079.7	165.9	78.8	74.0	63.1	106.6	23.3
Total noninterest income	1,258.4	240.7	106.8	109.7	101.9	182.4	30.0
Gains and losses on securities not held in trading accounts	102.6	17.9	28.6	21.4	4.4	34.9	1.3
Noninterest expense							
Salaries and employee benefits	1,500.1	362.8	119.0	156.9	183.1	292.5	49.2
Expenses of premises and fixed assets (net of rental income)	456.1	126.5	36.9	47.1	61.2	106.3	18.0
Other noninterest expense	896.2	276.2	133.5	118.4	112.5	226.3	31.2
Total noninterest expense	2,852.4	765.6	289.4	322.3	356.8	625.1	98.3
Income (loss) before income taxes and extraordinary items and other adjustments	847.4	250.5	38.2	93.2	128.7	60.8	36.5
Applicable income taxes	216.3	18.9	6.9	9.2	6.1	-21.0	11.1
Income before extraordinary items and other adjustments	631.1	231.6	31.4	84.0	122.6	81.8	25.4
Extraordinary items and adjustments, net of taxes	57.8	1.8	0.6	0.3	0.5	0.4	0.2
Net income	688.9	233.3	31.9	84.3	123.1	82.2	25.6
Total cash dividends declared	331.7	96.3	23.8	79.0	57.9	89.7	8.6
Recoveries credited to allowance for possible loan losses	114.5	19.4	15.7	10.5	10.3	28.4	1.8
Losses charged to allowance for possible loan losses	631.9	122.6	120.6	104.4	66.5	222.8	4.6
Net loan losses	517.3	103.2	104.9	93.9	56.2	194.4	2.8

Ratio to total operating income							
Interest on deposits	45.9	46.1	48.2	47.9	45.2	44.6	42.5
Other interest expense	10.8	7.8	5.0	4.2	8.9	6.2	3.1
Salaries and employee benefits	15.1	14.9	13.8	15.0	15.5	15.8	19.0
Other noninterest expense	13.6	16.6	19.8	15.8	14.7	18.0	19.0
Total operating expenses	85.4	85.4	86.8	82.9	84.1	84.6	83.6
Ratio of net income to total equity capital (end of period)—percent	9.8	12.7	5.1	10.1	12.7	5.7	15.1

See notes at end of table.

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, December 31, 1986 — continued

(Dollar amounts in millions)

	Maryland	Massachusetts	Michigan	Minnesota	Mississippi	Missouri	Montana
Number of banks	24	48	109	215	30	103	58
Interest income							
Interest and fee income on loans	$1,279.0	$3,282.1	$2,246.1	$2,084.4	$452.3	$1,521.4	$235.0
Income from lease financing receivables	23.3	165.5	18.5	6.1	0.2	11.2	0.3
Interest income on balances due from depository institutions	47.6	225.9	199.7	148.0	6.5	45.7	6.0
Interest and dividend income on securities	258.9	448.5	607.0	644.0	194.6	375.5	50.6
Interest income from assets held in trading accounts	3.5	39.5	7.0	41.8	1.7	13.2	0.1
Interest income from federal funds sold and securities purchased under agreements to resell	61.5	51.4	84.3	183.7	32.5	160.6	66.4
Total interest income	1,673.9	4,213.0	3,162.5	3,108.0	687.8	2,127.6	358.4
Interest expense							
Interest on deposits	684.0	1,820.3	1,602.0	1,524.2	346.2	1,000.5	179.1
Expense of federal funds purchased and securities sold under agreements to repurchase	188.9	457.1	234.7	475.6	49.6	183.5	34.7
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	16.5	225.7	35.3	66.5	2.0	20.4	1.4
Interest on mortgage indebtedness and obligations under capitalized leases	2.6	2.3	3.6	3.3	0.4	7.6	1.1
Interest on notes and debentures subordinated to deposits	8.6	10.4	11.2	22.9	0.2	0.6	1.4
Total interest expense	900.7	2,515.8	1,886.8	2,092.5	398.4	1,212.6	217.6
Net interest income	773.2	1,697.2	1,275.7	1,015.5	289.4	915.1	140.8
Provision for loan and lease losses	184.6	247.9	146.1	529.8	38.3	157.7	76.8
Provision for allocated transfer risk	0.9	0.7	0.6	0.0	0.0	0.0	0.0
Noninterest income							
Service charges on deposit accounts	83.7	89.3	131.5	95.7	34.1	80.9	14.2
Other noninterest income	162.1	590.8	355.5	435.6	43.5	291.0	28.9
Total noninterest income	245.9	680.1	487.0	531.4	77.6	371.8	43.1
Gains and losses on securities not held in trading accounts	15.2	42.0	27.3	371.6	5.1	13.7	3.6
Noninterest expense							
Salaries and employee benefits	359.2	821.8	623.2	417.6	121.6	384.1	55.0
Expenses of premises and fixed assets (net of rental income)	124.7	254.7	180.9	122.2	38.0	124.9	18.2
Other noninterest expense	258.7	549.6	458.7	549.5	87.2	357.0	66.9
Total noninterest expense	742.6	1,626.1	1,262.8	1,089.4	246.8	865.9	140.2
Income (loss) before income taxes and extraordinary items and other adjustments	106.2	544.7	380.6	299.2	87.0	277.0	-29.5
Applicable income taxes	-12.3	191.6	65.4	2.0	6.9	54.0	-17.9
Income before extraordinary items and other adjustments	118.5	352.9	315.1	297.3	80.1	223.0	-11.6
Extraordinary items and adjustments, net of taxes	0.0	0.0	1.1	0.4	0.5	0.8	—
Net income	118.5	353.1	316.2	297.7	80.6	223.9	-11.6
Total cash dividends declared	36.8	82.3	155.5	129.0	25.8	127.4	17.5
Recoveries credited to allowance for possible loan losses	26.1	55.2	39.4	50.1	8.3	21.6	7.8
Losses charged to allowance for possible loan losses	163.8	198.0	145.3	451.2	37.1	147.6	65.0
Net loan losses	137.7	142.8	105.9	401.2	28.8	126.0	57.2

Ratio to total operating income							
Interest on deposits	35.6	37.2	43.9	41.9	45.2	40.0	44.6
Other interest expense	11.3	14.2	7.8	15.6	6.8	8.5	9.6
Salaries and employee benefits	18.7	16.8	17.1	11.5	15.9	15.4	13.7
Other noninterest expense	20.0	16.4	17.5	18.5	16.4	19 3	21.2
Total operating expenses	85.6	84.6	86.3	87.4	84.3	83 2	89.1
Ratio of net income to total equity capital (end of period)—percent	10.0	13.5	13.0	12.9	14.2	11.9	-4 7

See notes at end of table

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, December 31, 1986 — continued
(Dollar amounts in millions)

	Nebraska	Nevada	New Hampshire	New Jersey	New Mexico	New York	North Carolina
Number of banks	118	6	22	68	42	106	16
Interest income							
Interest and fee income on loans	$536.6	$613.1	$268.4	$2,933.9	$362.2	$19,228.6	$2,283.7
Income from lease financing receivables	6.2	2.3	0.6	21.5	2.0	518.9	69.2
Interest income on balances due from depository institutions	6.0	9.1	1.8	62.7	4.7	2,263.1	102.9
Interest and dividend income on securities	218.3	50.6	44.5	764.8	117.9	2,294.2	831.0
Interest income from assets held in trading accounts	1.4	0.4	—	6.5	0.1	871.9	46.4
Interest income from federal funds sold and securities purchased under agreements to resell	48.3	5.4	7.8	89.2	34.8	901.4	114.8
Total interest income	816.8	681.0	323.1	3,878.7	521.7	26,078.1	3,448.0
Interest expense							
Interest on deposits	418.2	194.1	155.7	1,741.3	272.8	13,219.7	1,362.1
Expense of federal funds purchased and securities sold under agreements to repurchase	36.7	41.4	13.3	214.9	26.7	1,488.6	674.2
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	10.0	53.5	1.6	30.3	1.0	2,294.2	64.5
Interest on mortgage indebtedness and obligations under capitalized leases	2.3	0.5	0.5	2.0	0.2	41.2	8.1
Interest on notes and debentures subordinated to deposits	1.6	7.9	0.2	13.0	1.0	176.3	14.4
Total interest expense	468.8	297.4	171.4	2,001.4	301.8	17,220.0	2,123.3
Net interest income	348.0	383.6	151.7	1,877.3	220.0	8,858.2	1,324.7
Provision for loan and lease losses	125.4	74.9	13.3	130.4	37.3	1,375.4	103.0
Provision for allocated transfer risk	0.0	0.0	0.0	0.0	0.0	0.3	0.0
Noninterest income							
Service charges on deposit accounts	27.1	25.0	7.6	179.8	24.3	291.0	141.2
Other noninterest income	128.0	83.2	25.8	261.0	41.1	4,510.0	365.5
Total noninterest income	155.1	108.2	33.4	440.7	65.4	4,801.0	506.7
Gains and losses on securities not held in trading accounts	25.5	0.5	1.5	15.4	5.6	463.4	152.2
Noninterest expense							
Salaries and employee benefits	137.9	83.4	51.4	753.0	93.1	4,769.5	583.2
Expenses of premises and fixed assets (net of rental income)	45.0	38.4	15.5	270.3	31.1	1,696.2	182.4
Other noninterest expense	171.4	144.6	55.1	553.8	65.8	3,365.6	428.6
Total noninterest expense	354.2	266.4	122.0	1,577.0	190.0	9,831.2	1,194.2
Income (loss) before income taxes and extraordinary items and other adjustments	49.1	150.9	51.3	625.9	63.7	2,915.6	686.4
Applicable income taxes	-2.1	60.3	12.6	132.3	13.7	1,001.4	176.5
Income before extraordinary items and other adjustments	51.2	90.6	38.7	493.6	50.0	1,914.2	509.9
Extraordinary items and adjustments, net of taxes	0.1	0.0	0.0	0.1	0.5	2.3	0.1
Net income	51.3	90.6	38.7	493.8	50.4	1,916.5	509.9
Total cash dividends declared	31.7	49.4	9.3	187.0	19.6	767.9	129.3
Recoveries credited to allowance for possible loan losses	13.5	8.6	1.7	36.9	7.3	260.7	17.4
Losses charged to allowance for possible loan losses	122.1	75.0	7.6	110.3	40.4	1,306.5	79.8
Net loan losses	108.7	66.4	5.9	73.4	33.0	1,045.7	62.3

Ratio to total operating income							
Interest on deposits	43.0	24.6	43.7	40.3	46.5	42.8	34.4
Other interest expense	5.2	13.1	4.4	6.0	4.9	13.0	19.2
Salaries and employee benefits	14.2	10.6	14.4	17.4	15.9	15.4	14.7
Other noninterest expense	22.3	23.2	19.8	19.1	16.5	16.4	15.4
Total operating expenses	84.7	71.5	82.3	82.8	83.8	87.6	83.9
Ratio of net income to total equity capital (end of period)—percent	7.1	15.2	16.1	16.5	12.3	10.6	20.3

See notes at end of table.

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, December 31, 1986 — continued
(Dollar amounts in millions)

	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania	Rhode Island	South Carolina
Number of banks	43	139	223	8	174	5	22
Interest income							
Interest and fee income on loans	$185.3	$4,156.4	$973.1	$859.0	$5,454.8	$616.2	$658.7
Income from lease financing receivables	0.7	101.4	1.8	19.9	113.5	49.0	6.6
Interest income on balances due from depository institutions	2.8	186.9	38.0	19.3	391.5	26.8	6.1
Interest and dividend income on securities	63.2	985.0	401.6	125.8	1,457.0	112.2	147.9
Interest income from assets held in trading accounts	0.1	7.0	6.4	9.1	51.2	1.5	2.8
Interest income from federal funds sold and securities purchased under agreements to resell	29.3	195.4	64.3	65.7	179.4	19.8	43.9
Total interest income	281.4	5,632.2	1,485.2	1,098.7	7,647.3	825.4	865.9
Interest expense							
Interest on deposits	158.3	2,693.5	819.1	487.8	3,654.1	389.3	377.1
Expense of federal funds purchased and securities sold under agreements to repurchase	11.1	495.3	59.2	99.8	804.6	61.1	79.3
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	1.0	44.8	16.3	26.7	330.0	61.1	7.3
Interest on mortgage indebtedness and obligations under capitalized leases	0.5	5.5	1.7	1.0	6.7	1.0	0.8
Interest on notes and debentures subordinated to deposits	1.0	3.1	1.6	3.7	67.1	2.9	2.6
Total interest expense	171.8	3,242.2	898.0	618.9	4,862.4	515.4	467.0
Net interest income	109.6	2,390.0	587.2	479.8	2,784.9	310.0	398.8
Provision for loan and lease losses	47.8	272.0	359.1	68.7	520.5	41.4	40.7
Provision for allocated transfer risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Noninterest income							
Service charges on deposit accounts	9.3	205.4	66.6	66.5	210.1	13.0	49.2
Other noninterest income	16.5	638.1	110.3	92.7	863.5	145.2	72.6
Total noninterest income	25.8	843.6	176.9	159.2	1,073.6	158.2	121.8
Gains and losses on securities not held in trading accounts	5.0	53.4	38.7	6.3	168.8	10.6	6.6
Noninterest expense							
Salaries and employee benefits	40.4	992.6	269.2	203.2	1,330.9	149.8	189.6
Expenses of premises and fixed assets (net of rental income)	14.7	319.0	82.3	56.4	441.1	36.5	66.2
Other noninterest expense	40.5	827.8	266.0	149.1	931.4	135.3	138.6
Total noninterest expense	95.6	2,139.5	617.5	408.7	2,703.4	321.6	394.5
Income (loss) before income taxes and extraordinary items and other adjustments	-3.0	875.5	-173.7	167.9	803.4	115.9	92.1
Applicable income taxes	-6.4	154.5	-19.2	38.7	63.5	23.2	9.9
Income before extraordinary items and other adjustments	3.4	721.0	-154.6	129.2	739.9	92.7	82.3
Extraordinary items and adjustments, net of taxes	—	1.6	2.2	0.4	17.9	3.3	0.2
Net income	3.4	722.7	-152.4	129.6	757.7	96.0	82.4
Total cash dividends declared	13.0	344.9	53.0	51.1	326.0	19.3	43.1
Recoveries credited to allowance for possible loan losses	6.9	99.6	29.8	14.8	71.8	10.7	6.1
Losses charged to allowance for possible loan losses	44.5	330.4	314.4	75.4	386.8	38.4	33.9
Net loan losses	37.6	230.7	284.6	60.6	315.0	27.6	27.8

Ratio to total operating income							
Interest on deposits	51.5	41.6	49.3	38.8	41.9	39.6	38.2
Other interest expense	4.4	8.5	4.7	10.4	13.9	12.8	9.1
Salaries and employee benefits	13.1	15.3	16.2	16.2	15.3	15.2	19.2
Other noninterest expense	18.0	17.7	21.0	16.3	15.7	17.5	20.7
Total operating expenses	87.1	83.1	91.2	81.7	86.8	85.1	87.2
Ratio of net income to total equity capital (end of period)—percent	1.7	15.6	−11.6	14.2	13.2	16.9	12.9

See notes at end of table.

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, December 31, 1986 — continued
(Dollar amounts in millions)

	South Dakota	Tennessee	Texas	Utah	Vermont	Virginia	Washington
Number of banks	25	58	1,068	7	12	49	24
Interest income							
Interest and fee income on loans	$1,950.9	$1,241.4	$8,125.2	$438.4	$123.2	$1,470.1	$2,078.0
Income from lease financing receivables	0.2	9.4	24.3	4.9	0.0	22.7	38.3
Interest income on balances due from depository institutions	4.9	55.7	590.5	21.6	1.1	9.9	27.6
Interest and dividend income on securities	64.1	345.1	1,494.8	42.6	18.7	285.4	151.0
Interest income from assets held in trading accounts	0.0	9.6	15.6	2.8	—	2.1	11.4
Interest income from federal funds sold and securities purchased under agreements to resell	42.4	55.7	765.8	37.9	4.1	43.1	54.3
Total interest income	2,062.4	1,716.9	11,016.1	548.2	147.2	1,833.2	2,360.5
Interest expense							
Interest on deposits	393.9	832.6	5,964.3	279.0	79.9	877.8	1,082.6
Expense of federal funds purchased and securities sold under agreements to repurchase	255.4	129.9	1,201.7	43.9	1.8	131.2	110.8
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	212.3	18.3	172.7	2.8	0.6	34.0	55.6
Interest on mortgage indebtedness and obligations under capitalized leases	0.6	2.0	12.5	0.7	—	2.0	4.1
Interest on notes and debentures subordinated to deposits	32.7	0.4	60.6	4.0	0.2	2.7	20.3
Total interest expense	894.8	983.2	7,411.7	330.4	82.4	1,047.7	1,273.4
Net interest income	1,167.5	733.8	3,604.4	217.8	64.8	785.5	1,087.1
Provision for loan and lease losses	701.1	103.0	2,288.9	69.8	4.3	80.4	182.0
Provision for allocated transfer risk	0.0	0.0	—	0.0	0.0	0.0	0.0
Noninterest income							
Service charges on deposit accounts	12.4	91.0	444.2	30.8	5.4	65.6	143.1
Other noninterest income	689.4	297.6	805.9	44.6	9.6	208.7	312.3
Total noninterest income	701.8	388.6	1,250.0	75.4	15.0	274.3	455.3
Gains and losses on securities not held in trading accounts	5.1	11.6	230.3	2.8	0.9	13.7	12.6
Noninterest expense							
Salaries and employee benefits	111.6	377.2	1,608.0	84.7	29.9	349.6	561.7
Expenses of premises and fixed assets (net of rental income)	42.7	101.1	604.1	25.8	9.3	105.7	182.9
Other noninterest expense	585.1	319.1	1,471.8	114.6	17.6	272.3	400.5
Total noninterest expense	739.4	797.5	3,683.9	225.1	56.8	727.6	1,145.2
Income (loss) before income taxes and extraordinary items and other adjustments	433.9	233.5	-888.2	1.1	19.6	265.6	227.9
Applicable income taxes	196.2	40.8	-126.8	-24.5	4.6	48.1	47.0
Income before extraordinary items and other adjustments	237.7	192.7	-761.2	25.6	15.0	217.5	180.9
Extraordinary items and adjustments, net of taxes	0.4	5.5	7.2	0.0	0.0	0.1	18.4
Net income	238.1	198.3	-754.1	25.6	15.0	217.6	199.3
Total cash dividends declared	310.0	109.0	399.3	21.8	5.2	78.9	50.5
Recoveries credited to allowance for possible loan losses	106.0	22.4	148.7	4.5	0.7	10.9	61.8
Losses charged to allowance for possible loan losses	673.9	97.2	1,681.3	70.8	3.9	73.7	233.2
Net loan losses	567.9	74.8	1,532.6	66.3	3.2	62.9	171.4

Ratio to total operating income							
Interest on deposits	14.2	39.5	48.6	44.7	49.3	41.7	38.4
Other interest expense	18.1	7.2	11.8	8.2	1.5	8.1	6.8
Salaries and employee benefits	4.0	17.9	13.1	13.6	18.4	16.6	19.9
Other noninterest expense	22.7	20.0	16.9	22.5	16.6	17.9	20.7
Total operating expenses	59.1	84.6	90.5	89.1	85.8	84.2	85.9
Ratio of net income to total equity capital (end of period)—percent	23.4	13.6	-9.4	6.3	13.2	16.2	12.0

See notes at end of table.

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, December 31, 1986 — continued

(Dollar amounts in millions)

	West Virginia	Wisconsin	Wyoming	Puerto Rico	D.C. nonnational*
Number of banks	97	117	40	1	1
Interest income					
Interest and fee income on loans	$ 469.9	$969.8	$122.9	$ 2.1	$ 5.1
Income from lease financing receivables	0.3	12.2	0.1	0.0	0.0
Interest income on balances due from depository institutions	11.2	19.8	3.4	0.1	0.1
Interest and dividend income on securities	240.0	245.9	55.1	0.4	2.9
Interest income from assets held in trading accounts	0.4	9.9	0.8	0.0	0.0
Interest income from federal funds sold and securities purchased under agreements to resell	46.8	53.8	13.6	0.1	0.3
Total interest income	768.7	1,311.4	195.9	2.7	8.4
Interest expense					
Interest on deposits	401.9	667.8	108.5	1.2	3.5
Expense of federal funds purchased and securities sold under agreements to repurchase	31.2	93.2	3.1	—	0.1
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	1.5	9.6	0.3	—	0.0
Interest on mortgage indebtedness and obligations under capitalized leases	0.6	1.2	0.1	0.0	0.0
Interest on notes and debentures subordinated to deposits	0.2	1.1	0.4	0.0	0.0
Total interest expense	435.4	772.9	112.2	1.3	3.6
Net interest income	333.3	538.4	83.7	1.4	4.8
Provision for loan and lease losses	30.9	66.5	54.4	0.1	0.3
Provision for allocated transfer risk	0.0	0.5	0.0	0.0	0.0
Noninterest income					
Service charges on deposit accounts	15.3	45.2	8.6	0.1	0.4
Other noninterest income	35.6	160.9	10.3	0.2	0.2
Total noninterest income	50.9	206.1	18.9	0.3	0.6
Gains and losses on securities not held in trading accounts	8.2	13.8	3.2	0.1	—
Noninterest expense					
Salaries and employee benefits	123.4	253.0	36.0	0.5	2.1
Expenses of premises and fixed assets (net of rental income)	37.3	66.1	10.7	0.3	0.2
Other noninterest expense	93.7	196.0	35.9	0.6	1.5
Total noninterest expense	254.4	515.0	82.6	1.4	3.8
Income (loss) before income taxes and extraordinary items and other adjustments	107.1	176.3	-31.2	0.2	1.3
Applicable income taxes	12.6	31.8	-7.6	0.0	0.4
Income before extraordinary items and other adjustments	94.5	144.5	-23.6	0.2	1.0
Extraordinary items and adjustments, net of taxes	0.8	1.9	—	0.0	0.0
Net income	95.2	146.4	-23.6	0.2	1.0
Total cash dividends declared	49.0	67.2	5.3	0.0	0.2
Recoveries credited to allowance for possible loan losses	6.0	13.6	5.7	0.0	0.3
Losses charged to allowance for possible loan losses	33.8	71.4	44.1	—	0.8
Net loan losses	27.8	57.7	38.4	—	0.6

Ratio to total operating income					
Interest on deposits	49.0	44 0	50.5	41 7	39 1
Other interest expense	4 1	6 9	1 8	2 5	1 2
Salaries and employee benefits	15 1	16 7	16.7	18 0	23 4
Other noninterest expense	16 0	17.3	21.7	29 1	18 9
Total operating expenses	84 2	84.9	90 7	91.3	82 6
Ratio of net income to total equity capital (end of period)—percent	12 2	13.4	-15.0	7.9	14 8

*Nonnational banks in the District of Columbia are supervised by the Comptroller of the Currency. Nonnational bank data are not included in U.S. aggregates.

NOTES Foreign offices are defined to include Edge Act and Agreement subsidiaries in the U.S., branches located in Puerto Rico, the Virgin Islands and U S Trust Territories and branches and subsidiaries located in foreign countries Dashes indicate amounts of less than $50,000 Data are from the consolidated reports of condition filed quarterly by all national banks.

Income and expenses of foreign and domestic offices and subsidiaries of national banks, December 31, 1986
(Dollar amounts in millions)

	4,862 banks*	
	Consolidated foreign and domestic	Percent distribution
Interest income		
Interest and fee income on loans	$ 106,687	75.2
Income from lease financing receivables	1,743	1.2
Interest income on balances due from depository institutions	6,687	4.7
Interest and dividend income on securities	19,882	14.0
Interest income from assets held in trading accounts	1,819	1.3
Interest income from federal funds sold and securities purchased under agreements to resell	5,092	3.6
Total interest income	141,910	100.0
Interest expense		
Interest on deposits	68,631	80.2
Expense of federal funds purchased and securities sold under agreements to repurchase	10,795	12.6
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	5,165	6.0
Interest on mortgage indebtedness and obligations under capitalized leases	172	0.2
Interest on notes and debentures subordinated to deposits	819	1.0
Total interest expense	85,581	100.0
Net interest income	53,329	
Provision for loan and lease losses	13,950	
Provision for allocated transfer risk	39	
Noninterest income		
Service charges on deposit accounts	4,728	20.7
Other noninterest income	18,127	79.3
Total noninterest income	22,856	100.0
Gains and losses on securities not held in trading accounts	2,326	
Noninterest expense		
Salaries and employee benefits	25,716	47.0
Expenses of premises and fixed assets (net of rental income)	8,833	16.1
Other noninterest expense	20,222	36.9
Total noninterest expense	54,771	100.0
Income (loss) before income taxes and extraordinary items and other adjustments	12,751	
Applicable income taxes	3,170	
Income before extraordinary items and other adjustments	9,580	
Extraordinary items and adjustments, net of taxes	163	
Net income	9,743	
Total cash dividends declared	5,315	
Recoveries credited to allowance for possible loan losses	2,036	
Losses charged to allowance for possible loan losses	12,378	
Net loan losses	10,341	
Ratio to total operating income		
Interest on deposits	41.7	
Other interest expense	10.3	
Salaries and employee benefits	15.6	
Other noninterest expense	17.6	
Total operating expenses	85.2	
Ratio of net income (annualized) to		
Total assets (end of period)	0.56	
Total equity capital	9.50	

*Reporting national banks

Deposits of national banks, by states, December 31, 1986
(Dollar amounts in millions)

	Total demand deposits at domestic offices	NOW and automatic transfer accounts	Non-transaction savings accounts	Time certificates of deposit of $100,000 or more	Other large time deposits	All other time deposits at domestic offices	Total deposits at foreign offices	Total consolidated deposits	Brokered deposits
All national banks	$304,611	$98,664	$309,742	$158,833	$18,965	$235,077	$196,403	$1,322,295	$19,821
Alabama	2,360	1,086	1,972	1,907	164	2,752	241	10,483	558
Alaska	605	116	625	379	3	174	1	1,904	5
Arizona	3,967	1,187	4,622	1,890	4	3,608	26	15,305	17
Arkansas	1,687	1,118	1,986	1,137	45	2,540	0	8,514	10
California	38,977	12,120	40,454	17,094	1,774	20,537	29,659	160,615	2,569
Colorado	4,326	1,734	4,239	1,906	212	2,280	156	14,853	15
Connecticut	6,224	1,355	3,586	727	427	2,646	392	15,357	213
Delaware	265	66	1,909	2,201	2	866	20	5,328	376
District of Columbia*	3,380	1,132	4,314	1,810	29	995	2,373	14,033	254
Florida	15,619	7,376	19,950	6,273	500	11,683	712	62,113	227
Georgia	6,776	1,689	5,513	1,985	292	4,235	700	21,189	247
Hawaii	56	29	66	29	0	19	0	199	0
Idaho	823	522	1,373	348	4	1,555	0	4,627	33
Illinois	15,983	4,067	14,791	9,227	1,500	13,416	23,265	82,249	772
Indiana	5,075	2,352	5,319	2,282	74	6,779	235	22,118	25
Iowa	1,880	962	1,684	421	2	3,011	0	7,961	50
Kansas	1,902	1,067	2,201	1,197	25	2,854	0	9,245	35
Kentucky	2,670	1,340	2,287	1,246	32	3,273	92	10,939	251
Louisiana	3,863	1,173	4,710	3,480	23	3,025	154	16,428	242
Maine	561	270	882	121	3	538	0	2,376	13
Maryland	4,494	875	4,896	865	8	2,949	911	14,999	256
Massachusetts	9,954	2,180	9,606	5,436	750	2,466	7,033	37,424	1,070
Michigan	7,786	2,147	9,766	2,776	122	7,874	1,875	32,345	138
Minnesota	6,761	2,502	4,759	5,271	562	5,896	2,286	28,036	1,886
Mississippi	1,404	640	1,561	1,001	14	2,068	0	6,687	29
Missouri	6,820	2,155	4,689	2,955	334	4,803	411	22,166	201
Montana	595	444	881	218	1	1,194	0	3,333	0
Nebraska	1,960	1,130	1,561	448	4	3,155	0	8,257	2
Nevada	987	403	964	855	0	530	0	3,738	100
New Hampshire	702	472	1,171	324	2	634	0	3,305	29
New Jersey	13,909	3,369	14,206	3,166	146	8,112	502	43,411	189
New Mexico	979	676	1,379	861	8	1,073	0	4,976	0
New York	42,089	6,752	36,572	11,667	6,897	16,921	106,424	227,322	1,121
North Carolina	7,272	2,518	7,922	4,035	203	6,036	2,035	30,020	998
North Dakota	463	459	532	146	0	1,128	0	2,728	2
Ohio	11,495	5,129	15,786	4,573	365	15,035	906	53,291	158
Oklahoma	3,315	1,543	2,996	3,489	36	4,252	86	15,717	116
Oregon	2,474	1,370	3,653	807	0	2,359	20	10,683	260
Pennsylvania	16,008	4,749	20,274	9,613	461	15,288	6,639	73,034	3,249
Rhode Island	1,293	443	1,964	1,162	403	1,399	1,066	7,731	659
South Carolina	2,468	1,220	2,417	511	5	1,944	0	8,566	3
South Dakota	533	523	827	1,340	2	1,887	0	5,112	808
Tennessee	4,311	2,139	3,395	2,268	41	5,177	95	17,425	97
Texas	23,493	7,444	16,454	32,275	3,041	17,146	6,379	106,232	1,756
Utah	1,322	521	1,338	1,003	4	1,339	51	5,580	4
Vermont	304	157	543	62	9	463	0	1,538	1
Virginia	3,832	1,889	4,097	1,820	184	5,273	36	17,130	352
Washington	5,656	2,006	6,596	2,305	69	4,931	1,292	22,855	296
West Virginia	1,249	692	2,116	568	19	2,772	0	7,416	21
Wisconsin	3,341	1,051	3,824	1,111	23	3,664	330	13,345	103
Wyoming	337	297	513	221	135	517	0	2,021	0
Puerto Rico	4	6	0	19	0	7	0	36	10

*Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency
Note: Figures may not add to totals due to rounding

Loans of national banks, by states, December 31, 1986
(Dollar amounts in thousands)

	Total loans gross	Loans secured by real estate	Loans to financial institutions	Loans to farmers	Commercial and industrial loans	Personal loans to individuals	Other loans	Total loans less unearned income	Total loans at foreign offices
All national banks	$1,084,791	$293,498	$25,949	$14,218	$298,746	$199,793	$103,856	$1,075,319	$148,732
Alabama	8,169	2,362	152	39	2,780	1,861	947	8,016	28
Alaska	1,439	533	0	1	525	155	221	1,438	3
Arizona	11,827	3,983	309	503	3,114	3,004	886	11,810	28
Arkansas	5,351	2,023	69	156	1,633	1,164	305	5,279	0
California	142,265	43,032	1,896	2,143	33,428	20,653	10,274	142,132	29,839
Colorado	10,024	3,512	91	433	3,101	2,086	792	10,007	10
Connecticut	12,246	4,551	85	19	4,209	2,618	650	12,089	115
Delaware	13,017	534	0	2	407	11,974	100	13,016	0
District of Columbia*	9,929	3,422	343	1	2,886	934	1,501	9,879	842
Florida	44,885	18,493	529	226	10,140	11,725	3,492	43,995	281
Georgia	18,068	5,234	143	67	5,337	4,299	2,734	17,960	253
Hawaii	120	64	0	0	42	13	1	120	0
Idaho	3,446	860	13	328	958	1,037	251	3,428	0
Illinois	66,311	11,739	660	781	23,635	8,526	8,059	65,915	12,912
Indiana	15,813	4,706	521	269	4,266	3,960	1,937	15,677	153
Iowa	4,412	1,321	75	458	1,056	1,053	439	4,395	10
Kansas	5,324	1,442	33	732	1,666	1,068	384	5,305	0
Kentucky	8,074	2,317	81	135	2,531	1,862	1,093	7,965	56
Louisiana	10,920	3,617	50	59	3,513	2,266	1,231	10,807	184
Maine	1,894	877	0	12	575	322	109	1,891	0
Maryland	12,480	3,480	291	36	3,351	3,232	1,505	12,450	585
Massachusetts	36,526	9,677	714	20	13,955	3,710	3,396	36,322	5,055
Michigan	23,725	6,647	328	113	8,558	4,095	2,944	23,672	1,040
Minnesota	22,392	4,578	185	509	8,867	3,198	4,001	22,287	1,054
Mississippi	4,515	1,606	174	78	1,082	1,178	398	4,380	0
Missouri	15,775	5,024	570	271	4,327	3,324	1,975	15,694	283
Montana	1,994	504	28	266	628	487	81	1,978	0
Nebraska	4,803	1,023	165	966	1,036	1,174	439	4,799	0
Nevada	4,913	828	49	12	682	3,185	158	4,913	0
New Hampshire	2,777	1,071	3	1	712	869	122	2,764	0
New Jersey	32,879	13,088	849	11	10,239	5,931	2,550	32,444	211
New Mexico	3,204	1,173	31	122	984	789	105	3,166	0
New York	194,881	31,916	10,233	387	33,930	17,980	14,095	191,527	86,340
North Carolina	26,014	7,660	614	152	8,513	5,073	3,442	25,984	580
North Dakota	1,590	440	13	250	469	327	91	1,588	0
Ohio	43,321	11,282	675	287	12,883	13,375	4,475	42,907	344
Oklahoma	9,151	3,505	117	549	2,685	1,451	843	9,089	2
Oregon	8,606	2,268	156	220	3,283	1,704	886	8,565	88
Pennsylvania	61,770	13,160	3,385	192	21,936	9,024	10,539	61,205	3,534
Rhode Island	6,992	2,724	133	2	2,386	824	731	6,977	192
South Carolina	6,774	2,087	130	42	1,917	1,864	734	6,635	0
South Dakota	12,944	477	19	327	703	11,164	254	12,917	0
Tennessee	13,132	3,972	313	93	4,023	2,902	1,825	12,995	4
Texas	84,423	31,020	1,379	1,743	31,258	8,914	7,080	83,761	3,028
Utah	4,401	1,534	10	74	1,201	1,075	506	4,393	0
Vermont	1,162	621	0	13	283	208	37	1,162	0
Virginia	14,500	4,866	32	113	3,472	4,548	1,462	14,164	8
Washington	20,349	6,258	187	668	5,341	4,268	2,226	20,322	1,401
West Virginia	4,436	1,818	7	12	836	1,494	268	4,346	0
Wisconsin	9,750	3,237	104	216	3,021	1,633	1,272	9,716	267
Wyoming	1,048	331	3	111	369	205	30	1,043	0
Puerto Rico	27	4	0	0	15	8	0	26	0

* Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.
Note: Figures may not add to totals due to rounding.

Outstanding balances, credit cards and related plans of national banks, December 31, 1986
(Dollar amounts in thousands)

	Total number of national banks	Credit cards and other related credit plans	
		Number of national banks	Outstanding volume
All national banks	4,863	2,416	$69,937,420
Alabama	53	17	250,148
Alaska	5	3	62,495
Arizona	15	12	779,190
Arkansas	82	12	166,082
California	167	153	10,400,321
Colorado	243	213	753,421
Connecticut	17	10	485,254
Delaware	16	15	11,444,954
District of Columbia	19	17	142,124
Florida	173	77	2,298,404
Georgia	57	35	1,371,460
Hawaii	3	1	2,662
Idaho	7	7	171,783
Illinois	395	191	3,668,058
Indiana	103	79	879,079
Iowa	105	55	324,855
Kansas	169	45	233,805
Kentucky	78	38	180,920
Louisiana	71	24	454,780
Maine	7	6	46,353
Maryland	24	15	1,564,665
Massachusetts	48	38	997,651
Michigan	109	84	1,078,633
Minnesota	215	153	430,245
Mississippi	30	7	77,948
Missouri	103	55	998,354
Montana	58	34	50,838
Nebraska	118	38	472,859
Nevada	6	4	2,688,153
New Hampshire	22	18	419,668
New Jersey	68	47	897,351
New Mexico	42	12	207,650
New York	106	61	3,847,683
North Carolina	16	15	1,490,954
North Dakota	43	24	28,157
Ohio	139	98	3,119,973
Oklahoma	223	68	213,908
Oregon	8	6	545,186
Pennsylvania	174	68	788,961
Rhode Island	5	3	233,507
South Carolina	22	18	386,123
South Dakota	25	11	10,586,672
Tennessee	58	20	609,313
Texas	1,068	311	317,306
Utah	7	4	187,580
Vermont	12	4	37,125
Virginia	49	22	1,171,664
Washington	24	12	1,758,871
West Virginia	97	25	83,609
Wisconsin	117	100	517,004
Wyoming	40	29	9,439
Puerto Rico	1	1	3,873
District of Columbia—all*	20	18	142,473

*Includes the nonnational bank in the District of Columbia which is supervised by the Comptroller of the Currency

National banks engaged in lease financing, December 31, 1986

(Dollar amounts in thousands)

	Total number of national banks	Number of banks engaged in lease financing	Amounts of lease financing at domestic offices
All national banks	4,863	1,096	$15,943,181
Alabama	53	7	53,550
Alaska	5	2	5,731
Arizona	15	2	187,701
Arkansas	82	28	18,103
California	167	55	3,417,880
Colorado	243	85	127,159
Connecticut	17	2	1,844
Delaware	16	1	20,222
District of Columbia	19	7	57,142
Florida	173	26	235,997
Georgia	57	16	362,146
Hawaii	3	1	963
Idaho	7	3	80,791
Illinois	395	89	77,076
Indiana	103	40	331,319
Iowa	105	24	12,390
Kansas	169	36	37,453
Kentucky	78	24	158,951
Louisiana	71	11	63,555
Maine	7	2	9,443
Maryland	24	6	281,911
Massachusetts	48	18	1,499,405
Michigan	109	22	265,736
Minnesota	215	68	199,852
Mississippi	30	2	1,875
Missouri	103	31	216,762
Montana	58	11	1,483
Nebraska	118	37	65,671
Nevada	6	2	13,999
New Hampshire	22	4	9,716
New Jersey	68	17	217,352
New Mexico	42	17	18,056
New York	106	27	2,617,137
North Carolina	16	6	812,799
North Dakota	43	17	8,688
Ohio	139	64	1,051,492
Oklahoma	223	45	13,462
Oregon	8	2	271,819
Pennsylvania	174	28	1,285,868
Rhode Island	5	2	519,127
South Carolina	22	5	63,316
South Dakota	25	8	1,517
Tennessee	58	26	94,803
Texas	1,068	102	373,484
Utah	7	4	126,972
Vermont	12	1	949
Virginia	49	8	161,583
Washington	24	8	364,564
West Virginia	97	10	3,219
Wisconsin	117	31	120,278
Wyoming	40	6	880
Puerto Rico	1	0	0
District of Columbia—all*	20	7	57,142

*Includes the nonnational bank in the District of Columbia which is supervised by the Comptroller of the Currency

Total loans and leases past due at national banks, by states, December 31, 1986
(Dollar amounts in millions)

	Number of banks	Type of loan					
		Real estate	Commercial and industrial	Personal	All other	Total domestic loans	Foreign
Reporting national banks	4,863	$14,431.2	$13,582.5	$7,063.13	$5,446.46	$43,425.4	$7,998.11
Alabama	53	46.0	53.2	62.66	18.04	192.4	0.00
Alaska	5	45.8	31.9	4.24	33.06	124.7	0.46
Arizona	15	363.0	191.4	67.20	75.28	699.5	2.32
Arkansas	82	116.3	65.7	42.51	64.04	338.3	0.00
California	167	2,833.2	2,805.7	778.00	1,088.90	7,565.2	1,695.66
Colorado	243	185.7	106.4	66.96	182.81	731.5	0.00
Connecticut	17	113.4	106.7	60.55	13.93	298.4	14.95
Delaware	16	28.3	12.9	636.01	1.81	682.8	0.00
District of Columbia	20	121.5	90.8	17.02	16.06	248.5	22.51
Florida	173	753.3	296.0	242.48	80.67	1,412.1	7.15
Georgia	57	105.1	130.4	84.95	42.74	375.0	35.67
Hawaii	3	0.9	—	0.36	0.68	3.0	0.00
Idaho	7	37.8	48.7	27.52	30.23	148.3	0.00
Illinois	395	502.3	768.4	243.88	249.76	1,983.7	465.45
Indiana	103	107.1	76.0	113.85	54.18	392.3	5.43
Iowa	105	32.5	12.9	29.21	39.82	202.1	0.00
Kansas	169	36.6	39.9	27.33	65.72	253.4	0.00
Kentucky	78	78.3	45.0	38.41	50.84	244.5	3.10
Louisiana	71	262.1	276.3	126.97	67.17	809.4	0.00
Maine	7	16.5	20.0	10.95	4.92	52.9	0.00
Maryland	24	64.6	147.5	172.54	10.51	398.2	24.28
Massachusetts	48	366.3	519.4	131.76	114.74	1,140.5	236.85
Michigan	109	166.6	169.1	89.34	67.16	541.0	5.36
Minnesota	215	245.0	344.2	77.44	174.36	984.3	78.56
Mississippi	30	63.5	24.0	51.82	17.49	171.3	0.00
Missouri	103	157.8	211.4	94.29	67.48	591.7	26.63
Montana	58	24.2	13.9	15.28	49.30	171.1	0.00
Nebraska	118	31.5	36.0	34.87	69.29	229.3	0.00
Nevada	6	65.9	41.9	118.83	3.97	231.2	0.00
New Hampshire	22	15.7	11.5	15.42	9.61	58.6	0.00
New Jersey	68	405.7	361.6	176.16	44.62	1,006.4	10.40
New Mexico	42	54.1	25.1	26.31	41.16	187.3	0.00
New York	106	1,621.4	1,587.0	755.86	309.90	4,318.6	4,881.42
North Carolina	16	136.2	172.0	105.57	56.67	472.3	14.42
North Dakota	43	15.3	—	9.50	37.21	115.1	0.00
Ohio	139	355.6	505.6	390.44	168.73	1,478.4	23.37
Oklahoma	223	277.4	112.7	74.96	162.74	926.9	0.00
Oregon	8	164.3	152.3	44.49	58.64	421.7	1.50
Pennsylvania	174	509.8	847.1	256.77	396.43	2,043.5	185.46
Rhode Island	5	87.8	53.8	23.66	10.77	176.1	4.21
South Carolina	22	105.8	42.3	49.87	16.02	221.0	0.00
South Dakota	25	16.2	23.4	916.35	45.57	1,018.6	0.00
Tennessee	58	112.3	126.0	82.25	36.76	376.2	0.00
Texas	1,068	2,646.1	2,161.6	305.28	915.00	6,831.3	173.24
Utah	7	140.8	52.4	33.38	10.67	238.5	0.00
Vermont	12	18.3	14.4	7.53	4.62	46.2	0.00
Virginia	49	189.8	106.5	100.85	69.20	474.9	0.00
Washington	24	390.5	446.0	116.69	118.03	1,077.4	75.71
West Virginia	97	76.2	13.9	61.40	34.30	213.4	0.00
Wisconsin	117	98.3	81.7	32.64	74.17	354.5	4.01
Wyoming	40	22.6	—	9.50	67.93	148.3	0.00
Puerto Rico	1	0.0	—	1.00	2.74	3.7	0.00

NOTE: Sum of Real estate, Commercial and industrial, Personal and All other past due loans and leases is less than the Total domestic because nonaccrual loans are not reported by loan type by banks filing the abbreviated Report of Condition, and as a result are counted in the total figure only. Dashes indicate amounts less than $500,000.

Average national banks' percent of loans past due at domestic offices, by assets

	Assets in millions of dollars									
	Less than $10	*$10 to $20*	*$20 to $25*	*$25 to $40*	*$40 to $100*	*$100 to $300*	*$300 to $900*	*$900 to $5,000*	*$5,000 or more*	*All national banks*
Real estate										
June 1985	2.2	3.9	3.6	3.5	3.5	3.1	3.9	3.8	4.9	3.4
September 1985	2.1	3.6	3.7	3.6	3.4	3.1	4.0	4.1	5.0	3.4
December 1985	2.2	4.3	3.7	3.9	3.5	3.3	4.2	4.2	5.1	3.6
March 1986	2.8	4.5	3.9	4.0	3.8	3.5	4.9	4.8	6.0	3.9
June 1986	2.5	3.7	3.7	3.5	3.4	3.0	4.5	4.5	4.5	3.5
September 1986	3.0	4.1	4.3	3.7	3.3	2.8	4.7	4.9	4.7	3.6
December 1986	2.6	4.4	3.3	3.8	3.4	3.0	4.3	4.8	5.1	3.6
Commercial and industrial										
June 1985	NA	NA	NA	NA	NA	NA	5.0	4.5	5.2	4.7
September 1985	NA	NA	NA	NA	NA	NA	5.0	4.7	4.8	4.7
December 1985	NA	NA	NA	NA	NA	NA	4.8	4.5	4.7	4.6
March 1986	NA	NA	NA	NA	NA	NA	5.7	5.1	4.8	5.3
June 1986	NA	NA	NA	NA	NA	NA	5.6	4.8	4.7	5.1
September 1986	NA	NA	NA	NA	NA	NA	5.5	5.2	5.1	5.2
December 1986	NA	NA	NA	NA	NA	NA	5.1	4.7	4.7	4.8
Personal										
June 1985	2.6	3.4	3.3	3.3	2.9	2.3	2.3	2.4	2.4	2.9
September 1985	2.4	3.5	3.2	3.0	3.1	2.6	2.4	2.7	3.1	3.0
December 1985	2.9	4.0	3.4	3.3	3.3	2.9	2.5	3.0	3.2	3.3
March 1986	2.7	3.9	3.9	3.4	3.3	2.8	2.7	3.0	3.0	3.3
June 1986	2.5	3.5	3.7	3.0	3.1	2.6	2.7	2.7	2.7	3.0
September 1986	2.4	3.7	3.8	3.1	3.1	2.7	2.7	2.9	2.9	3.1
December 1986	3.2	3.8	4.0	3.3	3.3	2.9	2.7	3.3	3.3	3.3
All other										
June 1985	2.8	4.3	4.0	4.2	4.2	3.5	2.1	2.0	3.3	3.8
September 1985	3.3	4.7	4.5	4.1	4.2	3.6	2.0	2.4	3.3	4.0
December 1985	3.6	5.1	4.7	4.6	4.5	3.7	1.6	2.2	2.8	4.2
March 1986	3.9	5.7	5.2	5.4	5.2	4.3	2.4	2.6	3.1	4.8
June 1986	3.2	4.7	4.4	4.8	4.6	3.7	2.0	2.6	2.8	4.2
September 1986	3.8	5.1	4.8	4.7	4.5	3.7	1.8	2.3	2.6	4.2
December 1986	4.8	5.3	4.5	4.6	4.3	3.7	1.7	2.3	2.6	4.2
Total loans										
June 1985	3.4	5.2	5.1	5.3	5.1	4.5	3.9	3.6	4.2	4.8
September 1985	3.5	5.2	5.8	5.4	5.3	4.8	4.0	3.8	4.3	5.0
December 1985	4.2	5.9	5.7	5.7	5.4	4.8	4.0	3.9	4.2	5.3
March 1986	4.8	6.7	6.6	6.4	6.1	5.4	4.6	4.4	4.5	5.9
June 1986	4.2	6.1	6.1	5.9	5.6	5.0	4.4	4.0	4.0	5.4
September 1986	5.0	6.4	6.6	5.9	5.7	4.9	4.4	4.3	4.3	5.6
December 1986	5.1	6.6	5.8	6.0	5.6	5.0	4.1	4.1	4.4	5.5

See notes at end of tables

Average national banks' percent of loans past due at foreign offices, by assets

	Assets in millions of dollars			
	$300 to $900	*$900 to $5,000*	*$5,000 or more*	*All national banks*
All foreign office loans				
June 1985	9.8	7.7	7.4	8.0
December 1985	11.4	9.0	6.0	8.3
March 1986	8.1	8.7	5.5	7.4
June 1986	9.2	7.0	6.4	7.1
September 1986	5.5	6.2	6.3	6.1
December 1986	2.2	7.1	6.3	6.0

NOTES:

These figures include non-accrual and past due loan and lease financing receivables.

Past due loans—These items are (1) single payment notes 30 days or more past maturity; (2) single payment notes with interest due at specified intervals and demand notes on which interest is due and unpaid for 30 days or more; (3) amortizing real estate loans and closed-end monthly installment loans and lease financing receivables in arrears two or more monthly payments, or, if scheduled other than monthly, when one scheduled payment is due and unpaid for 30 days or more; (4) open-end credit accounts on which the customer has not made the minimum monthly payment for two or more billing cycles; and (5) unplanned overdrafts outstanding 30 days or more after origination.

Non-accrual loans—These items are (1) those maintained on a cash basis because of deterioration in the financial position of the borrower; and (2) those on which principal or interest has been in default for a period of 90 days or more unless the obligation is both well secured and in the process of collection, in which case it is considered merely past due.

Average banks' percent of loans past due—Percentages reported are averages of individual banks' percentages of loans past due with each bank accorded the same weight regardless of size; those individual bank percentages are based on dollar value of loans past due. All figures are as of the last day of the month indicated.

Loan categories—The loan categories for this table correspond to those for the report of condition except for "Other loans." "Other loans" includes loans to financial institutions, loans for purchasing or carrying securities, loans to farmers and all other loans not included in the specified categories.

Data for prior periods, based on slightly different definitions, may be found in the *Quarterly Journal*, Volume 2, Number 1, pp. 229-232.

Beginning March 1984, past due commercial and industrial loans of banks with less than $300 million in assets have been combined with all other loans.

Office of the Comptroller of the Currency — Financial Statements December 31, 1986

Balance Sheets

Assets	December 31 1986	December 31 1985
Current assets:		
Cash	$ 1,012,134	$ 888,951
Receivables:		
Travel advances	753,036	950,694
Accounts receivable	1,309,841	782,923
Accrued interest	511,377	315,618
Total receivables	2,574,254	2,049,235
Investment securities	26,537,183	24,663,534
Prepaid expenses and other assets	1,041,519	1,189,108
Total current assets	31,165,090	28,790,828
Investment securities—long-term	42,512,942	26,758,823
Other non-current assets	200,000	250,000
Fixed assets and leasehold improvements:		
Furniture, equipment and software	15,606,636	11,970,333
Leasehold improvements	12,745,930	11,188,409
	28,352,566	23,158,742
Less accumulated depreciation and amortization	12,612,734	10,040,157
Net fixed assets and leasehold improvements	15,739,832	13,118,585
Total assets	$89,617,864	$68,918,236
Liabilities and Comptroller's Equity		
Current liabilities:		
Accounts payable and accrued expenses	$6,132,386	$12,116,912
Accrued travel and salaries	4,018,949	3,776,086
Total current liabilities	10,151,335	15,892,998
Long-term liabilities:		
Accumulated annual leave	8,884,837	8,138,758
Total liabilities	19,036,172	24,031,756
Comptroller's equity — unrestricted	70,581,692	44,886,480
Total liabilities and equity	$89,617,864	$68,918,236

The accompanying notes are an integral part of these statements.

Office of the Comptroller of the Currency — Financial Statements December 31, 1986

Statements of Revenue, Expenses and Changes in Comptroller's Equity

	Years ended December 31	
	1986	1985
Revenue:		
Semiannual assessments	$181,432,333	$170,062,437
Examinations and investigations	11,364,667	8,733,378
Investment income	6,830,058	7,163,483
Publication sales	1,086,883	604,998
Other	173,779	303,911
Total revenue	200,887,720	186,868,207
Expenses:		
Salaries	123,373,127	119,299,395
Travel	12,521,448	18,437,881
Relocation	3,311,173	2,632,059
Training	877,029	1,759,741
Conference expense	294,716	590,717
Office space costs	13,687,186	12,504,776
Office equipment and furniture	2,658,524	4,752,751
Office supplies, materials & services	1,703,563	1,357,527
Printing and copier	1,014,554	1,031,391
Automated services	10,706,233	13,732,096
Communications	3,608,494	3,510,125
Outside services	1,436,461	1,870,350
Total expenses	175,192,508	181,478,809
Excess of revenue over expenses	25,695,212	5,389,398
Comptroller's equity at beginning of year	44,886,480	39,497,082
Comptroller's equity at end of year	$ 70,581,692	$ 44,886,480

The accompanying notes are an integral part of these statements.

Statements of Changes in Financial Position

	Years ended December 31	
	1986	1985
Financial resources were provided by:		
Operations:		
Excess of revenue over expenses	$25,695,212	$ 5,389,398
Charges (credits) not affecting working capital:		
Additions to accumulated annual leave	1,596,570	1,348,543
Depreciation and amortization	2,781,228	1,935,301
Income from sale of closed receivership fund securities	—	(88,685)
Amortization of premium and discount on long-term Government obligations, net	(43,868)	(28,823)
Net loss on sale of fixed assets	79,650	10,890
Working capital provided by operations	30,108,792	8,566,624
Proceeds from sale of fixed assets	11,894	1,375
Proceeds from closed receivership funds dividends	—	3,305
Total	30,120,686	8,571,304
Financial resources were used for:		
Purchase of fixed assets	5,494,021	3,412,173
Payment of accrued leave	850,491	853,765
Purchase of long-term securities	15,711,777	26,730,000
Payment of closed receivership fund claims	—	51,233
Transfer of closed receivership fund liability to current liability	—	4,632
Transfer of short-term rent receivable to long-term receivable	200,000	250,000
	22,256,289	31,301,803
Increase (decrease) in working capital	$7,864,397	$(22,730,499)
Analysis of changes in working capital:		
Increase (decrease) in current assets:		
Cash	123,183	$ 54,597
Investment securities	1,910,419	(17,152,438)
Accrued interest	157,460	315,618
Accounts receivable	276,918	(643,194)
Travel advances	(197,658)	(991,733)
Prepaid expenses and other assets	(147,588)	364,964
	2,122,734	(18,052,186)
(Increase) decrease in current liabilities:		
Accounts payable and accrued expenses	5,984,526	(4,353,008)
Accrued travel and salaries	(242,863)	(325,305)
	5,741,663	(4,678,313)
Increase (decrease) in working capital	$7,864,397	$(22,730,499)

The accompanying notes are an integral part of these statements.

Notes to Financial Statements, December 31, 1986 and 1985

Note 1—Organization

The Office of the Comptroller of the Currency (Comptroller's Office) was created by an Act of Congress for the purpose of establishing and regulating a national banking system. The National Currency Act of 1863, rewritten and reenacted as The National Banking Act of 1864, created the Comptroller's Office and provided for its supervisory functions and the chartering of banks.

No funds derived from taxes or federal appropriations are allocated to or used by the Comptroller's Office in any of its operations. The revenue of the Comptroller's Office is derived principally from assessments and fees paid by the national banks and income on investments in U.S. Government obligations. The Comptroller's Office is exempt from federal and state income taxes.

Note 2—Significant Accounting Policies

The accounting policies of the Comptroller of the Currency conform to generally accepted accounting principles, accordingly, the financial statements are presented on the accrual basis of accounting.

Investment securities are U.S. Treasury obligations stated at amortized cost which approximates market value. Premiums and discounts on investment securities are amortized on a straight-line basis to maturity.

Furniture and equipment are capitalized at cost less accumulated depreciation calculated on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 10 years. Leasehold improvements are capitalized at cost less accumulated amortization computed over the terms of the related leases (including renewal options) or the estimated useful lives, whichever is shorter. Expenditures for maintenance and repairs are charged to earnings as incurred.

Note 3—Commitments

The Comptroller's Office occupies office space in Washington, D.C., under a lease agreement which provided for an initial five-year term with five consecutive five-year renewal options. During 1984, the second of these options, expiring in 1989, was exercised. In addition, the district and field offices lease space under agreements which expire at various dates through 2000. Minimum rental commitments under leases in effect at December 31, 1986 are as follows:

1987	$ 9,992,000
1988	9,775,000
1989	6,887,000
1990	4,530,000
1991	4,105,000
1992 and after	19,322,000
	$54,611,000

Certain of the leases provide that annual rentals may be adjusted to provide for increases in taxes and other related expenses. Total rental expense under operating leases was $11,622,000 and $10,110,000 for the years ended December 31, 1986 and 1985, respectively.

Note 4—Retirement Plan

The Comptroller's Office contributes to the Civil Service retirement plan administered by OPM for the benefit of all its eligible employees. Contributions aggregated $7,385,000 and $7,091,000 in 1986 and 1985, respectively. The plan is participatory, with 7 percent of salary being contributed by each party. Additionally, the Comptroller's Office contributes Social Security and Medicare benefits for all eligible employees.

Note 5—Contingencies

Various banks in the District of Columbia have deposited securities with the Comptroller's Office as collateral for those banks entering into and administering trust activities. These securities, having a par or stated value of $18,143,000, are not assets of the Comptroller's Office and accordingly, are not included in the accompanying financial statements.

The Comptroller's Office is a defendant, together with other bank supervisory agencies and other persons, in litigation related to the closing of certain national banks. In the opinion of the Comptroller's legal staff, the Comptroller's Office will be able to defend successfully against these complaints and no material liability is expected to result therefrom.

Office of Government Services
1801 K Street, N W
Washington, DC 20006

Telephone 202 296 0800

Price Waterhouse

Opinion of Independent Accountant

March 16, 1987

To the Comptroller of the Currency:

We have examined the balance sheet of the Office of the Comptroller of the Currency as of December 31, 1986 and the related statements of revenue, expenses and changes in Comptroller's equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of the Office of the Comptroller of the Currency for the year ended December 31, 1985 were examined by other independent accountants, whose report dated March 10, 1986 expressed an unqualified opinion on those statements.

In our opinion, the financial statements examined by us present fairly the financial position of the Office of the Comptroller of the Currency at December 31, 1986, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse

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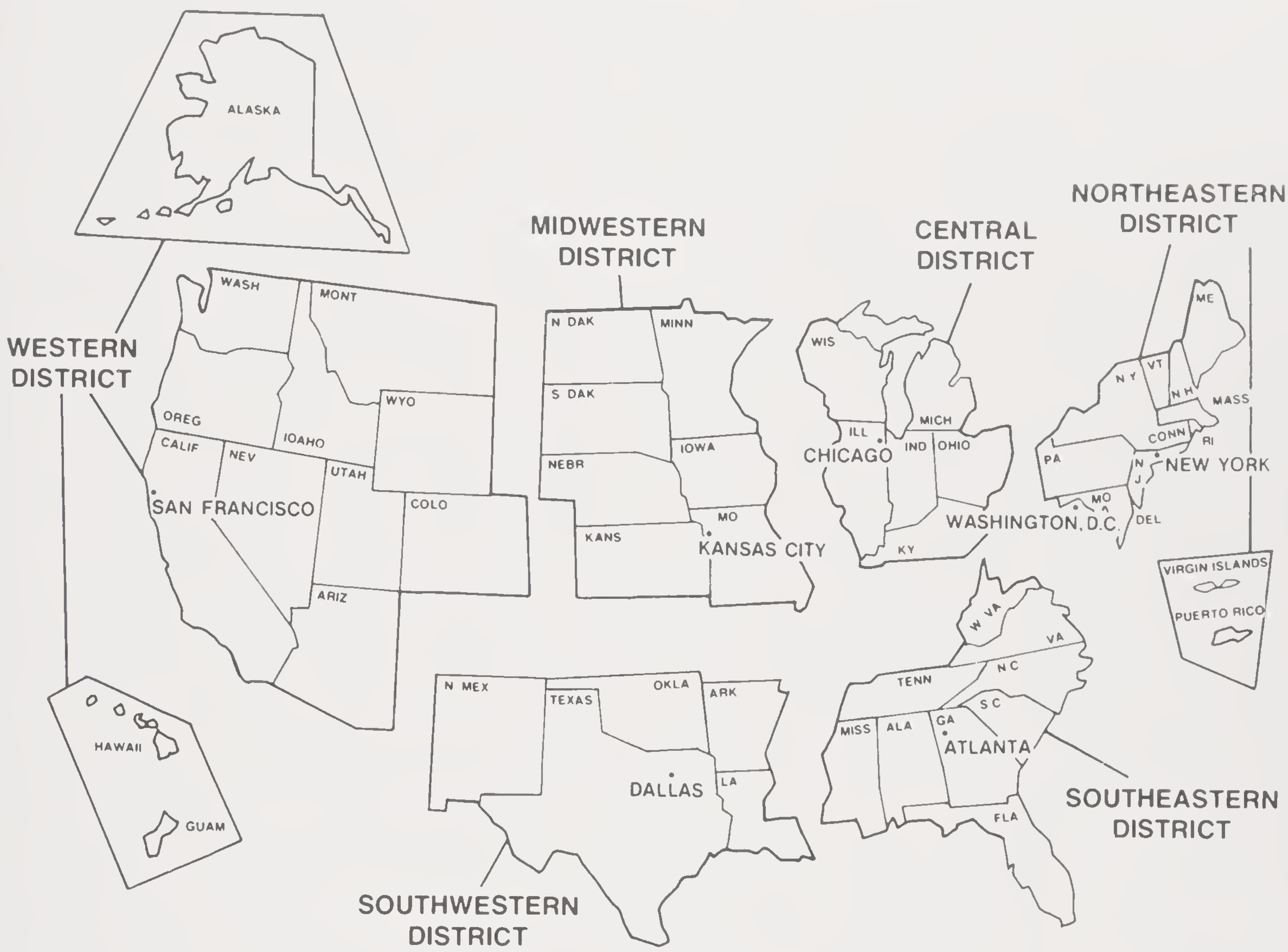

Northeastern District

New York District Office
1211 Avenue of the Americas
Suite 4250
New York, NY 10036

FTS	8-265-3495
Commercial	212-944-3495

Central District

Chicago District Office
One Financial Plaza
Suite 2700
440 South LaSalle Street
Chicago, IL 60605

FTS	8-364-8000
Commercial	312-663-8000

Southwestern District

Dallas District Office
1201 Elm St.,
Suite 3800
Dallas, TX 75270

FTS	8-729-4400
Commercial	214-767-4400

Southeastern District

Atlanta District Office
Peachtree Cain Tower
Suite 2700
229 Peachtree St., NE
Atlanta, GA 30303

FTS	8-242-4926
Commercial	404-331-4926

Midwestern District

Kansas City District Office
2345 Grand Avenue
Suite 700
Kansas City, MO 64108

FTS	8-758-0700
Commercial	816-556-1800

Western District

San Francisco District Office
50 Fremont Street
Suite 3900
San Francisco, CA 94105

FTS	8-449-9900
Commercial	415-545-5900

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Administrator of National Banks

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